The Engagement of Arab Gulf States in Egypt and Tunisia since 2011: Rationale and Impact

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Summary This study documents the various forms and measures of political and economic assistance provided by Saudi Arabia, the United Arab Emirates (UAE), and Qatar to Egypt and Tunisia since the upheavals of 2011. It also analyzes the impact Gulf donor countries had on political and economic development within Egypt and Tunisia, particularly with regard to democratization and inclusive socio-economic change. Economically, efforts undertaken by the Gulf states were intended to stabilize the two countries, for example by helping them overcome budget deficits. While their business investments are not trickling down to the economically marginalized segments of society, some of the Gulf-funded development projects have been geared toward fueling more inclusive growth. Due to limited coordination between Arab and Western donor countries, however, there has thus far been little alignment of projects taking place in the same sectors. As a result, the potential for synergies between these projects has remained untapped. In political terms, as was expected, the Gulf states did not engage in efforts to promote more democratization. Indeed, in Egypt the assistance provided by Saudi Arabia and the UAE even contributed to a return to the pre-2011 order. For Germany and its partners to engage the Gulf states more intensively on governance matters and to create incentives, deeper knowledge is required about how political decisions are made in the Gulf. This is also essential for developing Germany's much-needed general strategy toward the Gulf states, which is currently lacking. The Deauville Partnership is a useful forum for improving and increasing future coordination.

DGAP

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Preface
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In the past decade, and long before the 2011 uprisings, the Middle East and North Africa (the MENA region) saw the rise of multiple regional actors with considerable political, economic, and financial weight and influence. The power of countries such as Saudi Arabia, the United Arab Emirates, and Qatar became even more apparent after the 2011 upheavals. Their record is often one of intense, albeit controversial engagement in different countries and conflict settings.

Egypt is a case in point, as it has witnessed an exponential inflow of billions of dollars from the Gulf since the military took power in July 2013. The magnitude of Gulf support has made the issue of the political and economic impact of this engagement more pressing than ever – especially as Egypt continues to struggle with alarming socioeconomic realities, a huge state deficit, high unemployment, widespread poverty, and appalling social services. If anything, the frustration and despair of large parts of the population has only increased. The closure of the public sphere further aggravates the situation. Two questions – 1) how outside actors are helping or harming the most populous nation in the region recover socially and economically and 2) what approaches and rationales guide this external assistance – are core not only to the stability of the country itself but also to the region as a whole.

Tunisia is the only Arab country thus far to have made genuine, if rocky, progress toward democratic transformation. The country's experience therefore poses a different question. How have the region's major financial heavyweights contributed, if at all, to the country's socioeconomic and political development? The matter of Gulf aid is especially important as Europe finds itself enmeshed in financial crisis and a looming refugee crisis, essentially cutting off the prospects of more comprehensive assistance from Tunisia's European neighbors. The MENA's small pioneer in democracy has been hailed for offering the only glimpse of hope in a region in turmoil, but Tunisia remains extremely fragile, particularly in economic and social terms. Its security situation is deteriorating, as instability and violence in neighboring Libya and Algeria spill over the shared borders and as the threat of terrorist attacks increases at home.

These two North African countries, Egypt and Tunisia – which have witnessed different but historically unique transformations and managed to avoid the bloody civil wars fragmenting other Arab countries – are each in their own way of particular significance, not only to the region but also to Europe. Repercussions transcend national borders and clearly resonate north of the Mediterranean. For European countries, the stakes are very high indeed. Germany in particular has an important role to play. Not only is it an economic and political power in the EU but it also has been chair of the G7 since June 2014, which also makes it chair of the Deauville Partnership – a forum established by the G8 in 2011 to respond to the transformations underway in the MENA region.

The Deauville Partnership's goal is to provide political and financial support to Arab countries in transition and to better coordinate international support among several types of actors: the G8 countries, international and regional financial institutions, the OECD, and the regional actors of Saudi Arabia, the UAE, Kuwait, Qatar, and Turkey. Reflecting on previous channels of cooperation with the Gulf, reassessing the EU Neighborhood Policy (a process currently underway), and exploring new and more effective avenues for integrating more partners – from the Gulf, for example – became essential tasks for policy makers. This is especially the case today, as established measures and the institutional framework seem to function inadequately when it comes to concrete political and economic support for the MENA countries.

Against this background the German Council on Foreign Relations (DGAP) launched its project, which concludes with this publication.*

Sebastian Sons and Inken Wiese elaborate here on the major economic and political engagement of Saudi Arabia, Qatar, and the UAE in Egypt and Tunisia. They scrutinize the impact of these countries on efforts to promote more inclusive economic growth and political

* Early phases of the project consisted of field visits to Egypt, Tunisia, Qatar, the UAE, and Saudi Arabia, debriefings for German officials, and three workshops in Cairo, Tunis, and Berlin. Although Kuwait fully deserves careful scrutiny as well – not least for its significant role and assistance – the country was ultimately not included in the project for technical reasons.

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openness in Egypt and Tunisia, and they identify ways in which Germany and Europe can enhance their relations with the Gulf states. Finally, they pinpoint overlapping interests and places where joint engagement in the region would be highly productive. Sebastian Sons worked on the passages relating to Saudia Arabia, while Inken Wiese focussed on the UAE and Qatar.

The publication delves first and foremost into factors driving the three countries' foreign policy in the region, and in Egypt and Tunisia in particular, also highlighting the internal political dynamics within the Gulf states. European decision makers should take this material into account as they forge policies toward the Gulf that, among other things, foresee an inclusion of the respective countries – be it within a forum such as the Deauville Partnership, within the framework of the EU, or on a bilateral level. Only policies grounded in an informed position toward the Gulf states, one sensitive to their interests and needs, stand a chance of bearing any fruit.

Up until now, atomization and lack of coordination have sadly characterized European initiatives and policies toward the MENA region. Despite intense demands for more harmonization, the strikingly divergent interests of individual member states have often weighed heavily. EU countries have thus hardly furnished examples of coherent policy or well-coordinated activities involving other actors within or beyond the EU. But two facts remain: first, in order to "fix" Egypt and to prevent a relapse in Tunisia – but also to make progress in other troubling conflict fronts such as in Syria, Libya, and Iraq – it is paramount for different actors to find common denominators, carefully coordinate action, bundle resources, complement each other, and share burdens. Second – in light of the US pivot to Asia and its decreased appetite for interventionism in the region, coupled with Europe's preoccupation with its own financial malaise – the MENA region is more or less left to its own devices. That leaves matters mainly to key regional powers and non-Western states over whom Europe has very little, if any, leverage.

This reality necessitates the identification of common interests between Germany and Europe on the one hand and regional powers such as the Gulf states on the other. Among other things, this analysis seeks to classify entry points for building more trust and eventually ameliorating cooperation. But just as important is the need to agree on the *approach* and *means* to further those interests. Saudi Arabia and the UAE have never supported the popular uprisings and have strong interest in excluding political players such as the Muslim Brotherhood. Qatar is more ambiguous; it selectively supports groups in external territories under the banner of the right to self-determination while at the same time maintaining an autocracy at home.

The West, too, has muted its democratization agenda (to be sure, an agenda that has for decades been plagued by double standards) in response to the region's almost paralyzing common security threats: terrorism, civil war, and failing states. Once again, security is pushing other desperately needed political and economic reforms to the margins. In the near future we are likely to see more multilateral, ad hoc coalitions involving the West and regional actors to address these acute common security threats. The immense challenge for German and Western policy makers is to embed these short-term measures into mid- and long-term political and economic strategies and a stable security architecture for the region and for individual countries respectively. This is of course an enormously complex diplomatic endeavor. Germany and the EU must on the one hand reassure the Gulf states, who are rattled by the recent Iran deal, and at the same time try to give them an incentive to consent, at least partially, to a common plan of action – a plan for sustainable, lasting stability.

This is a historic moment. Relations in the region are being renegotiated and realigned that might offer a window of opportunity for Germany and the EU as well. Seizing that opportunity would make it possible to acquire new standing with, and enhanced access to, key regional players – for these Gulf players are capable of altering conflict settings and economic as well as political dynamics within countries like Egypt and Tunisia. But Germany and Europe should not abandon the long-term perspective and the key pillars of promoting sustainable stability: pluralistic and open societies and socioeconomic equality. For, even when it comes to confronting hard security threats such as terrorism, opening up political space is vital to absorbing anger and channeling it into peaceful means of expression. Without these pillars, the entire structure could collapse.

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Chapter One
Shifts and Deeper Changes in the Gulf States' Foreign Policies since 2011

1. General Remarks

After the outbreak of the so-called Arab Spring in 2011, the wealthier Gulf states quickly responded to the new political developments in the MENA region, especially North Africa, and leveraged considerable political and economic power to shape regional politics in their interest. Through this intervention, they affected the course of the uprisings and presumably also their outcomes.[1] The scope and intensity of their engagement merits an investigation into the concrete interests of the respective Gulf countries. Before analyzing the individual interests of Saudi Arabia, the United Arab Emirates (UAE), and Qatar and highlighting the differences between them, it is worth noting some of the factors they have in common.

It is first of all important to keep in mind that the Gulf states were active political and economic players in the region long before 2011.[2] Especially following the rapid rise in the price of oil that began in 1999, Gulf conglomerates had started to invest heavily in other Arab countries.[3] Increased Gulf investment in neighboring Middle Eastern countries was related to a decrease in investment in Western countries, as mistrust of Gulf investment capital – particularly in the US after the attacks of September 11 – increased in the West. Investment in the MENA region also stemmed from the Gulf states' interest in stabilizing the Middle East economically and politically.[4] The Gulf states also attributed more stability to Arab markets than Western states and companies did. This positive estimation presumably also rested on close personal networks and the involvement of Arab expatriates working in the Gulf states who had intimate knowledge of their home countries' economies.[5]

However, concerns among the Gulf states about the stability of the region grew in early 2011 with the ousting of longstanding rulers and Gulf allies such as Zine el-Abidine Ben Ali in Tunisia and Hosni Mubarak in Egypt. As will be explained in detail in the following chapter, these political developments created a political, security, and economic vacuum that Saudi Arabia and the UAE viewed with great anxiety. Qatar, however, perceived the situation as an opportunity to enhance its political impact as a regional player through cooperation with new political players in these countries. Albeit differently, all three of these Gulf states used the void created by the regional political upheavals – and by the ongoing reluctance of Western states – to offer meaningful political and economic incentives to the countries in transition that could help them embark on radical political and economic reforms. This void provided especially the smaller Gulf states with the opportunity to substantiate their demands for more political influence, which had grown out of their increased economic influence.[6]

The Gulf states also acted in response to the growing perception that they themselves would have to shoulder the main burden of responsibility for the region's stability. Their trust in both the power and interest of Western states to ensure stability and security in the greater Arab region had already been considerably diminished by the low consideration the West paid to Gulf sensitivities during the 5+1 negotiations on Iran's nuclear program.[7] Mistrust in security alliances of the past – despite massive Western sales of arms to the Gulf states – was compounded by the refusal of Western states to follow-up on their lofty proclamations with action with regard to the crises in Libya and Syria.[8] As a response to these experiences, Gulf states made greater use of their enhanced international profile and clout for regional power politics in North Africa and beyond without first seeking consent from their Western allies.[9] This was reflected in the UAE's military actions in Libya as well as in the Saudi-led military coalition in Yemen.[10] Furthermore, deepening economic, political and security relations with non-Western powers in Asia such as China push the Gulf states to realign themselves.[11] This has further diminished Western influence on regional politics while opening up new opportunities to non-Western powers.[12]

The uprisings and the subsequent political deterioration in Yemen, Libya, Syria, and Iraq have also clearly shown that the Arab League is not able or willing to manage or solve the crises that several of its member states are going through.[13] It could be argued that, as a result of the Arab League's paralysis, the importance of the Gulf Cooperation Council (GCC) as a regional organization for inter-Arab coordination and conflict mediation has increased.[14] This comes as a surprise, given that the GCC was itself strained by internal conflicts and different strategies toward Arab countries undergoing political transitions after 2011.[15] While discord – especially between Qatar and the UAE – has been resolved on a superficial level, tension still lurks below the surface. It is currently muted as a result of pressure exerted by Saudi Arabia, which wishes to form a united front against the Houthis in Yemen and regionally against the so-called Islamic State (ISIS). However, tension within the GCC is likely to rise again as Qatar and the UAE continue to champion different political players in various Arab countries. Furthermore, the Saudi dominance within the GCC is increasingly being challenged by both the UAE and Qatar, causing the GCC itself to become multipolar.[16] The growing importance of the GCC is thus not to be confused with a regionalization of the Gulf states' foreign policy centered within the GCC, as most of its members still show clear tendencies toward more bilateralization.[17]

Analysis of the foreign policies of each of the Gulf states – and of concerted efforts on the part of the GCC – must therefore take into account the ways in which the foreign policies of GCC states diverge. This is a highly complex endeavor due to the personalization of foreign policies in these states and the restriction of decision making to a very small number of members of the elite. Multilevel and multi-contextual analysis is nonetheless needed; it must examine both inside and outside factors such as a given leader's personality, idiosyncrasies, and individual threat perceptions, or tribal alliances and the balance of power domestically.[18] Increasingly, domestic socioeconomic challenges – such as unemployment and the limitations of the rentier-based welfare system – also shape the foreign policies of individual GCC states.[19] Due to its much lower GDP (see fig. 1), Saudi Arabia is more affected by such challenges than Qatar and the UAE.

Figure 1: Key economic data in 2014

	Saudi Arabia	UAE	Qatar
GDP growth	3.6 %	4.6 %	6.2 %
GDP (in billion USD)	752.5	416.9	216.4
GDP per capita (in USD)	24,454	43,427	94,450

Source: Germany Trade and Invest, "Saudi-Arabien, VAE und Katar im Fokus 2015," February 2015 <https://www.gtai.de/GTAI/Navigation/DE/Trade/Maerkte/tagungsmagazine,t=saudiarabien-vae-und-katar-im-fokus-2015,did=1196082.html> (accessed June 4, 2015)

Socioeconomic obstacles combined with other aspects have thus led to rising radicalization among Gulf populations, especially in Saudi Arabia (see fig. 2).

The Internet's penetration of the Gulf states, and with it social media (see figs. 3–4), has also helped increase popular discourse on foreign policy, although general popular interest in foreign policy is still limited.[20] However, all political decision makers in the Gulf region have to take these phenomena into consideration in order to preserve the legitimacy of their rule.

Figure 2: Estimated number of foreign ISIS fighters in 2015 (selection of sending countries)

Tunisia	1,500–3,000
Saudi Arabia	1,500–2,500
Russia	800–1,500
Jordan	1,500
France	1,200
Lebanon	900
Libya	600
Germany	500–600
Egypt	360
Kuwait	70
Qatar	15
UAE	15
Bahrain	12

Source: Peter R. Neumann, "Foreign Fighter Total in Syria/Iraq Now Exceeds 20,000; surpasses Afghanistan conflict in the 1980s," King's College London's International Centre for the Study of Radicalisation, January 26, 2015, http://www.icsr.info/2015/01/foreign-fighter-total-syriairaq-now-exceeds-20000-surpasses-afghanistan-conflict-1980s/ (accessed June 11, 2015)

Figure 3: Percentage of Facebook users in Gulf Cooperation Council member states

UAE	42%
Qatar	34.38%
Kuwait	26.75%
Bahrain	25.09%
Saudi Arabia	18.26%
Oman	16.22%

Source: Nadine Sayegh, "Who's the King of the GCC Social Media Ring?," September 11, 2014 <http://www.kippreport.com/fcs/king-of-the-social-media-ring/> (accessed June 4, 2015)

Figure 4: Number of active Twitter users in 2014

Saudi Arabia	1,900,000
UAE	401,000
Kuwait	225,000
Qatar	74,400
Bahrain	64,300
Oman	38,800

Source: Arab Social Media Report, "Twitter in the Arab Region" <http://www.arabsocialmediareport.com/Twitter/LineChart.aspx?&PriMenuID=18&CatID=25&mnu=Cat> (accessed June 10, 2015)

Finally, it is important to point out that the insight of Western political decision makers into the dynamics of Gulf foreign policy making has up until now been quite limited. This has contributed to a paucity of suitable strategies toward this region. As this study shows, moreover, this has complicated coordination and cooperation in the framework of the Deauville Partnership.

2. Saudi Arabia's Foreign Policy

2.1 The Pillars of Saudi Arabia's Foreign Policy

For decades, Saudi foreign policy was based on three pillars: 1) Safeguarding the domestic power of the Saudi royal family as the kingdom's only legitimate ruler, 2) safeguarding the influence of Saudi economic players in North Africa, the region, and beyond, and 3) safeguarding the supremacy of religious leadership based on Wahhabism, with strong anti-Shia tendencies.[21]

1) *Safeguarding the domestic power of the Saudi royal family as the only legitimate ruler of the kingdom:* Since King Abdulaziz Ibn Saud (r. 1932–1953) founded the modern Kingdom of Saudi Arabia in 1932, diverse internal and external struggles have tested the power legitimacy of the ruling family.[22] However, the royal family always showed its ability to preserve its leadership.[23] Consisting of around 8,500 princes and different power centers, the family has never ruled as a monolithic bloc. Instead, a small inner circle is responsible for a decision-making process in which several kings have served merely as first among equals.[24] From time to time, struggles over access to political, economic, and ideological power and influence caused inner rifts between family fractions or older and younger generations among the princes.[25] Nevertheless, despite all fragmentation, the ruling family acted in a united manner in order to survive.[26] In alliance with the Wahhabi clergy, an apparatus of technocrats, and several clienteles of merchant elite, the Saudi leadership has asserted its leadership until now.[27]

2) *Safeguarding the influence of Saudi economic players in North Africa, the region, and beyond:* Saudi Arabia's role as an influential regional and global economic player has also characterized its foreign policy in recent years.[28] Although still based mostly on oil revenue, the Saudi economy was considerably diversified under the late King Abdullah (r. 2005–2015). Industrialization and foreign investment were intended to offset dependence on oil revenue – measures that intensified after the country's WTO accession in 2005.[29] Unlike other Gulf states such as the UAE, the Saudi business community has been only to a small extent co-opted and integrated into the royal sphere of influence, based on "segmented clientelism."[30] Of course, patronage and clientele networks have over time been established to integrate influential merchants and tribal players into the bureaucratic system, also due to the way the *kafala* system can foster state-legitimized corruption.[31] However, traditionally strong merchant families still have preserved their autonomy vis-à-vis the royal family. Saudi political decision makers thus need to balance political and economic interests particularly in times of external trouble in order to sustain a win-win-situation for both partners.[32] Saudi politics often relied on the strong and well-connected networks of business families and conglomerates who have established interwoven fields of influence in political and economic spheres abroad.[33] In a nutshell, both players could cooperate either as allies or compete with each other as rivals; for example, business families can act as promoters of Saudi foreign policy but also as veto powers if they perceive that their own business interests are at risk due to controversial political decisions of the ruling family.[34]

3) *Safeguarding the supremacy of religious leadership based on Wahhabism with strong anti-Shia tendencies:* The Saudi identity is based on the strong alliance of the ruling family with the Wahhabi establishment (*ulama*) which was established in the middle of the 18th century.[35] In this regard, Saudi foreign policy political decision makers need to take the interests of religious leaders into consideration not only in order to satisfy them but also to legitimize their political decisions ideologically. As "Guardians of the Two Holy Shrines" – Mecca and Medina – the Saudi royal family presents itself as a role model of Sunni Islam within the Middle East and beyond. This is particularly apparent in its anti-Shia foreign policy, which is mainly directed against Iran. Anti-Shiism has been used to demonize Iran, the arch-rival and competitor for regional hegemony since the Islamic Revolution of 1979.[36] Although the official *ulama* still constitute a relevant power in the Saudi system, they have in recent decades lost their undisputed decision-making role. Since the rule of King Faisal (r. 1964–1975), the religious establishment was transformed into a co-opted state clergy.[37] The more it was integrated into the state apparatus, the more it lost its influence as a veto power, thereby becoming a "junior partner."[38]

2.2 Saudi Arabia and the Arab Uprisings

After the outbreak of the 2011 uprisings in neighboring Arab states, these foreign policy pillars came under pressure as democratically legitimized forms of Islamist rule in Tunisia and Egypt directly undermined the raison d'être of the Saudi regime and took Saudi Arabia out of its "comfort zone."[39] The uprisings came as a shock and have been characterized as "the most severe test for the Kingdom since its creation."[40] Starting in late 2010, the Saudi political establishment has watched the destabilizing developments in the region with growing concern, fearing possible spillover effects that might threaten the royal family's legitimacy.[41] Hence, Saudi Arabia's behind-the-scenes diplomacy approach and its strategy of "riyalpolitik"[42] have reached its limits, and shifted its strategy from a non-interventionist, mediating foreign policy toward a status quo policy aimed at stabilizing allied regimes and focused on several fields of interest.[43] As Madawi Al-Rasheed argues, "the uprisings bewildered Saudi Arabia's foreign policy and eventually led to the creation of more enemies than friends."[44] This is reflected in an evolution of Saudi foreign policy from a "consensual pattern to a confrontational assertive one"[45] to address different goals: 1) the containment of Iranian regional influence, 2) the containment of ISIS, and 3) the containment of Qatar's influence in the Middle East in order to reestablish unity within the GCC under Saudi leadership.

1) *The containment of Iranian regional influence:* From a Saudi perspective, all uprisings around the kingdom – such as in Yemen, Bahrain, Iraq, and Syria – have been initiated and fostered by Iranian anti-Sunni forces or by pro-Iranian Shiite proxies, with the aim of toppling the Saudi government and establishing an Iran-dominated sphere of influence within the Arab world.[46] Saudi leaders thus feel besieged by Iranian "fifth columns."[47] As Prince Turki al-Faisal (former director general of the intelligence agency from 1977 to 2001 and former ambassador to the US from 2005 to 2006) already stated in April 2013, "Iranian leaders' meddling and destabilizing efforts in the only two other countries with Shiite majorities, Iraq and Bahrain, as well as those countries with significant minority Shiite communities, such as Syria, Yemen, Kuwait and Lebanon must … come to an end."[48] This perception is to some extent highly exaggerated and based on "Iranoia" or "Shianoia."[49] Since the Islamic Revolution in Iran in 1979, both phenomena have become integral parts of Saudi Arabia's political culture. Today, the image of Iran as the archtypical rival has become an influential ingredient of Saudi political discourse. This has to some extent hampered a pragmatic Saudi foreign policy approach, as can be seen in the Saudi reaction to the US-Iran rapprochement on the Iranian nuclear issue. In the eyes of the Saudi leadership, this could further turn Iran from a US enemy into a US partner at the expense of Saudi Arabia's longstanding relationship with Washington. This would negatively affect the Saudi government's stability as well as the security structure within the kingdom.[50]

2) *The containment of ISIS:* Influenced by Saudi Wahhabi imams in local mosques and private sermons, the ultra-conservative Salafi ideology has become an alternative to social values and norms blurred and undermined by rising socioeconomic challenges such as youth unemployment and inadequate job opportunities for both male and female graduates. With the rise of ISIS in Syria and Iraq, a considerable component of Saudi society showed sympathy for the movement and its ideology. Currently 1,500–2,500 Saudi jihadists are fighting in the ranks of ISIS. (See fig. 2 on p. 6.) They are inspired by ISIS's interpretation of a "pure" Salafi Islam to wage a war against the "corrupt" and "Westernized" Saudi ruling family.[51] After a first phase of internal terrorism from 2003 to 2005, the Saudi government had to deal again with "homegrown terrorists" fighting in Iraq and Syria. Since June 2014, the Kingdom reacted with counter-ISIS measures by implementing a royal decree to impose severe punishments on anyone joining, funding, or openly sympathizing with ISIS.[52] The replacement of the head of intelligence, Prince Bandar bin Sultan, with Minister of Interior and newly designated Crown Prince, Muhammad bin Naif, in April 2014 was also interpreted as a signal of the reformulation of the policy vis-à-vis militant Islamists.[53] In July 2014, 30,000 Saudi troops, including well-trained National Guard units, were sent to the Iraqi border to protect the kingdom against potential attacks of ISIS insurgents.[54] However, rumors about small jihadists' cells on Saudi soil are also discussed in the media.[55] In May 2015, two suicide attacks on Shiite mosques in the Eastern Province for which ISIS claimed responsibility killed at least 25 people.

Nevertheless, the Saudi government underestimated the real threat emanating from ISIS for quite some time; when it emerged, it was seen as a manageable tool for containing Iran's influence in Iraq. Although no proof of direct support to ISIS on the part of the ruling family exists, private donors, Wahhabi clerics, charity organizations, and influential members of the business community have most likely been supporting ISIS with financial, ideological, and logistical assistance to use the movement against the Shiite government in Iraq, channeling cash money via Kuwait to Iraqi and Syrian jihadists.[56]

3) *The containment of Qatar's influence in the Middle East in order to reestablish unity within the GCC under Saudi leadership:* Saudi Arabia aims to normalize intra-GCC relations, which were brought to a brink after Saudi Arabia, the UAE, and Bahrain withdrew their ambassadors from Doha in March 2014. The three states strongly opposed Qatar's support for the Muslim Brotherhood (MB) in Egypt and elsewhere in the region. They also objected to anti-Saudi statements made on the Al Jazeera news network.[57] Furthermore, Saudi Arabia and Qatar competed intensely for influence over different Syrian opposition groups fighting Bashar al-Assad.[58] In general, "Qatar's strained relationships with its Gulf neighbors have become a microcosm for the broader tensions between status quo advocates and supporters of political change across the region."[59] Compared to the UAE, however, Saudi Arabia shows more interest in restoring inter GCC-unity in order to build a strong Gulf alliance against common threats such as ISIS and Iran. While the UAE strongly opposed Qatar's support for the MB, Saudi Arabia has shown a more pragmatic stance toward Qatar; as a result of the GCC reconciliation prior to the GCC summit in Doha in December 2014, Qatar joined the Saudi-led military alliance to fight the Houthis in Yemen. Nonetheless, Saudis fear that Qatar's strong ties to the MB will continue in the future because such ties are believed to be built on complex but robust ideological, political, and economic similarities.[60]

2.3 Outlook: Saudi Foreign Policy under King Salman

While the late King Abdullah avoided direct military intervention in neighboring countries, the military action in Yemen of his successor, King Salman, indicates a shift in Saudi foreign policy strategies. The goals of this more interventionist, military, and non-diplomatic approach are to 1) portray Saudi strength in times of regional trouble both to its Arab-Sunni allies and to its own population, 2) overcome animosities with Qatar, while providing proof of Saudi power to the US in times of US-Iranian rapprochement, and 3) help divert attention away from domestic socioeconomic obstacles in times of decreasing oil prices.[61]

1) *Portraying strength:* The 80-year-old King Salman, who has been often characterized as too old and too ill, wanted to show that he is able to rule the country, together with his closest allies, in times of external and internal challenges.[62] Furthermore, both Muhammad bin Nayif, the new crown prince and minister of interior, and the "wunderkind" Muhammad bin Salman[63] – King Salman's son, who was designated as new minister of defense and deputy crown prince and is in charge of the Yemen operation – want to prove that they are resolute military leaders in order to position themselves as possible future kings.[64] From a Saudi pro-governmental perspective, the "Kingdom needs political and military noise to prove it is there and that it is not asleep.… Saudi Arabia cannot be accused of being weak" in times of external pressure and rising internal challenges.[65]

2) *Overcoming differences with Qatar and proving power to the US:* In terms of overcoming tension with Qatar, that country's participation, however restrained, in the anti-Houthi alliance is a clear indicator of the joint will of both Saudi Arabia and the new Qatari emir, Tamim, to overcome recent struggles by fighting together in Yemen. Furthermore, King Salman wants to send a clear signal to the US that Saudi Arabia cannot be ignored as a regional leader. Thus, the Saudi Arabian military action based on a Sunni coalition against the Houthis, widely perceived as Iran's "fifth column" in Yemen, aims to reassure the US-Saudi alliance at a time of US-Iranian rapprochement and to finally overcome animosities with Qatar.[66]

3) *Distracting domestic attention from socioeconomic problems:* In times of falling oil prices, the military operation in Yemen – called Operation Decisive Storm– created a "rally around the flag" effect, encouraging strong patriotism and acceptance of the rulers' decision to go to war among the majority of the Saudi population. This neatly diverted attention from domestic challenges such as high unemployment and the absence of diversification within the Saudi private economy, which has led to rising frustration among Saudi youth.[67] King Salman presents himself as a promoter of gradual and slow change "in a Saudi way" and focuses more on foreign policy, while his predecessor King Abdullah had the image of a "reformer," though he acted as a "modernizer" at best.[68] Most probably, King Salman will continue to address domestic problems with the traditional "carrot-and-stick"; in addition repressing mutual opposition groups such as bloggers or the Saudi Shiite minority in the eastern province, he also announced spending 34 billion USD on employees in the public sector[69] – a typical instrument of the traditional welfare state aiming at calming the tense domestic situation without implementing any genuine structural reforms.[70]

To sum up, King Salman aims to diversify Saudi Arabia's external alliances in order to prove that the kingdom can act as a sovereign regional power – and to present himself and his government as strong and decisive leaders in tumultuous times. Although the US remains a reliable ally, other coalitions and ad hoc partnerships will become more important, as the joint operation in Yemen has shown, while bilateral relations with the US have cooled significantly.[71] Finally, King Salman's military engagement in Yemen has also shown that his foreign policy is focused on nearby hot spots, while North African countries such as Egypt and Tunisia are of less interest as for now and will become a priority only if the security situation deteriorates or if serious economic crisis in these countries threatens to harm Saudi interests. King Salman's current foreign policy seems to lack a coherent strategy based on long-term goals, however. As Al-Rasheed puts it, "the more the Saudi regime wanted to appear hegemonic, the less its actions reflected thoughtful strategies that might have resulted in desirable outcomes."[72]

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In addition to these external challenges, King Salman also has to deal with the growing roster of socioeconomic problems hinted at above. These include high youth unemployment, obstacles due to gender segregation, a widening generational rift, increasing frustration and religious radicalization, a lack of economic diversification and privatization, apparent Islamic opposition, and social media activism. Taking the low oil price into consideration, King Salman and his new administration might be challenged not only by external crises but also by internal dissatisfaction from several social groups that cannot be co-opted through welfare services – or simply suppressed – in the long run.[73] The new king is thus under pressure to transform the traditional carrot-and-stick policy of the Saudi leaders vis-à-vis internal and external opposition groups into a coherent, sustainable and inclusive policy of dialogue. However, this seems out of his sight so far.

3. The Foreign Policy of the United Arab Emirates

3.1 The UAE's Vital Interests

The general foreign policy of the UAE as well as its reaction to the Arab uprisings can be best understood by reflecting on the state's vital interests. These consist of 1) maintaining the stability of the country's political and social order and 2) securing its territorial integrity.

1) *Maintaining the stability of the UAE's political and social order:* The UAE is considered to be a stable country in a politically instable region.[74] Nevertheless, its leadership faces constant challenges to maintain the country's political and social order. The state is made up of seven constitutive emirates (Abu Dhabi, Dubai, Sharjah, Fujairah, Ajman, Ras al-Khaimah, and Umm al-Quwain). The political dynamics of decision making in the UAE differ in many ways from those of its GCC neighbors, as most political affairs are regulated individually by the respective emirates; foreign policy and security policy are a notable exception to this rule and are the responsibility of the federal government, which is headquartered in Abu Dhabi. However, traditional rivalries as well as ideological conflicts among the emirates' ruling families have led to a number of severe internal conflicts since the country's independence in 1971.[75] These conflicts have been further fueled by growing inequalities in living standards due to an uneven distribution of wealth across the emirates, and due to Abu Dhabi's political and economic dominance as the richest of the seven emirates.[76] According to Anoushiravan Ehteshami, there are thus "a myriad of forces within the country" that need to be balanced and, as a result, "generate apparently contradictory policies."[77]

The dominant political players in the UAE are the seven ruling families (with the ruling family of Abu Dhabi's Al Nahyan at the top, followed by Dubai's Al Maktoum), whose members assume all relevant political positions. Their power is hereditary. The constitution stipulates that each emirate's natural resources and land belongs to its respective ruling family, which then contributes to the emirate's and to the federal state's budget from its private wealth.[78] Through this system, the ruling families finance an all-encompassing welfare system (again with Abu Dhabi shouldering the lion's share[79]), which also "incorporates" Emirati nationals into the "family-state." Meaningful possibilities for political participation within the general population are absent.[80] This "neopatrimonial" state structure secures the rulers' political acquiescence and popularity and enhances their legitimacy, which is mainly based on traditional rather than religious grounds – unlike the royal family's dominance in Saudi Arabia.[81]

Economic diversification played an important role in the ruling families' efforts to consolidate their political standing and thus secure the system as a whole in preparation for the post-hydrocarbon era. They invested in infrastructure to transform their emirates into hubs of regional and international trade and transport, tourism, and financial services, but also in sovereign wealth funds (SWFs) and state-owned enterprises (SOEs). By 2014, the non-oil sector already contributed 68 percent to the country's GDP.[82] While initially focusing on domestic turf, enterprises were able to invest globally with increasing vigor, thanks to large accumulations of capital during the years of the oil price boom prior to 2009. They were even able to bail out needy Western economies and companies during the global financial crises that started in 2009.[83] However, in recent years Emirati SWFs and SOEs have increasingly shifted their investments to neighboring Arab countries as well as to Asian countries like China, Japan, and South Korea.[84] This shift reflects the wish to shape globalization processes in the region as well as the growing economic importance of Asian markets. But it is also a response to what were considered "political humiliations" suffered in international bidding processes.[85]

Matthew Gray correctly points out that this economic diversification is rather a "redesigning of the rentier arrangement [which] is not fundamentally at variance with earlier oil and gas-based rentier dynamics.... Only the type of rent and how it flows have changed; the rentier bargain beneath remains in place."[86] In fact, Emirati SWFs and SOEs have further strengthened the economic and thus the political role of the ruling families, although their exact financial share in them is usually not disclosed.[87] The ruling families have thus been referred to as "dominant local capitalists," and the Gulf states as "state capitalists," respectively.[88] This is particularly obvious in the strong engagement of the ruling families in local real estate, which rests on their considerable ownership of land in the UAE, although companies like Emaar also engage in international real estate projects.[89] As a result, the UAE does not have a well-developed private sector, and there are no actors who would seek to limit the economic influence of the ruling families. From the outset – unlike Saudi Arabia or Kuwait – only a small number of merchant families had existed in the UAE, and their economic influence was already minimal prior to the discovery of oil in the region.[90] Their influence was curbed further when members of these non-ruling families were co-opted into the overall system, effectively making them a class of notables with vested interests in that system's continuity.[91] Political and economic power and authority in the UAE has consequently remained embedded within small circles clustered around the senior members of the ruling families.

Such a high concentration of wealth in the hands of a few carries a potential for social dissatisfaction, and the country is not exempt from domestic problems such as increasingly high unemployment rates and rising inequality – even among Emirati nationals. The resulting political conflicts often revolve around the concept of "national identity." Emirati nationals prefer to work in the well-paid public sector, which places a large burden on the UAE budget, while leaving the country's huge service sector to be filled by foreign workers. In 2013, only around 1.4 million of the UAE's 9.2 million inhabitants were nationals; their share is constantly declining despite a growth rate among nationals of three percent.[92] The share of Arab foreign workers in the overall labor force is estimated to be less than 10 percent. While this number is quite low, Michael Herb claims that foreign Arab workers appear to make Emiratis rather uneasy.[93] This might have its roots in the political activism of Arab migrants who had come in the 1960s and 1970s, but, as the Qatar-based political scientist Mehran Kamrava points out, most current Arab migrant laborers are professional and non-ideological.[94] The poignancy of the debate demonstrates, however, that politicizing identity issues is one of the few avenues available for indirectly criticizing the political leadership.[95]

2) *Securing the UAE's territorial integrity:* Since it achieved independence, the UAE has frequently seen its territorial integrity threatened by its neighbors, specifically by Saudi Arabia, which has questioned the demarcation of shared borders, and by Iran, which occupies a number of islands that the UAE considers part of its territory.[96] Efforts to build and maintain reliable security alliances with third states thus receive strong political attention. Over the past decade, the fight against terrorism and violent extremism has also become an important matter, as the UAE has long been a potential target of Islamist terrorism due to its tolerant policies, e.g. regarding alcohol. The fact that no terror attacks have (officially) occurred is most certainly the result of a strong security apparatus and tight surveillance mechanisms.[97] It is also widely assumed, however, that the country are being spared such attacks as long as Islamist organizations have been able to enjoy useful services in the UAE. These include, for example, banking services and trading.[98] Although threats to the UAE's security are undoubtedly real, M. H. Ilias is correct in pointing out that the discourse of security is also used as a tool because it "offers the rulers a chance to assert their authority by enhancing their legitimacy through this, instead of relying more on their traditional sources."[99]

With regard to Saudi Arabia, the recent rapprochement, especially since 2011, should not mask the fact that Saudi-UAE relations have, according to the Emirati scholar Abdulkhaleq Abdulla, never been "problem-free."[100] Border conflicts led as late as 2010 to military clashes between the two countries' naval forces, and Saudi Arabia has frequently been accused of meddling in the affairs of the smaller and poorer emirates. The actions of the younger UAE leaders, President Sheikh Khalifa bin Zayed Al Nahyan and Prime Minister Sheikh Mohammed bin Rashid Al Maktoum, who took power in 2004 and 2006 respectively, increasingly reflect the desire to be treated as Saudi Arabia's equal and not its junior partner.[101] Theoretically speaking, the UAE shares this interest with Qatar, which similarly feels that Saudi Arabia underestimates its economic and political power. In practice, however, this seems to be one of the factors that has increased competition between the smaller Gulf states.

One other area of tension between the UAE and Saudi Arabia is the question of how to contain Iran. Religious-ideological differences are of notably less importance to the UAE than they are to Saudi Arabia. In addition, the UAE also enjoys closer economic relations with Iran.[102] It is Iran's biggest non-oil trading partner, with exports to Iran worth over €23 billion in 2013, while imports from Iran involve relevant food items.[103] Hopes are particularly pronounced in Dubai that trade will be boosted once the sanctions on Iran are lifted as part of the international agreement on the Iranian nuclear program. The emirate hosts a large Shiite and Iranian community and has already been serving as a hub for Western companies to do indirect business with Iran.[104] Moreover, the fact that the UAE has built a number of nuclear power plants with South Korean help to meet its energy demands may have also had an impact on the UAE's Iran policy, which is clearly more pragmatic than Saudi Arabia's.

Another factor contributing to the UAE's increasingly influential position in international affairs is the professionalization of its foreign policy and relevant personnel. Assured by the country's economic success, the leadership has become sufficiently self-confident to act politically and even intervene militarily – as was recently the case in Libya, Bahrain, and Yemen for example – without seeking prior consent from the US and its other Western allies.[105] The UAE also seeks to counter political criticism preemptively, for example through public relations campaigns with names like "United for a Better Future," which are meant to call Emirati contributions to global political and economic stability to the attention of Western audiences.[106] It is nonetheless important to realize that the ever-closer economic ties with Asian countries also carry the potential for closer political cooperation, which could further decrease Western political leverage over the UAE.[107] Indeed, discussions are underway both in Asian and in Gulf capitals as to how Asian countries might contribute to maintaining security and stability in the MENA region in the future.[108]

On the whole, most UAE foreign policy initiatives continue to focus on bilateral relations – despite all the rhetoric that draws on the importance of the GCC as a unified power bloc.[109] While the UAE has unquestionably been paying close attention to the GCC and its various committees in recent years, the pro-GCC rhetoric seems to have been especially pronounced when it served the aim of sidelining Qatar. Since the GCC's reconciliation with Qatar in late 2014 and the new political line of the Saudi King Salman, this rhetoric seems to have cooled down somewhat. Saudi Arabia, moreover, seems to be less courted than was previously the case.

3.2 The UAE and the Arab Uprisings

The UAE identified four challenges and threats in the dynamics of the 2011 Arab uprisings, even though the country as a whole experienced only very small protests, to which it reacted with domestic and international measures. These were: 1) the ideological threat posed by the Muslim Brotherhood (MB) – and by political Islam more generally – to the stability of the UAE's political and social order; 2) the threat of economic instability to UAE investments in Arab countries; 3) the challenge to the UAE's regional role resulting from Qatar's growing regional influence; and 4) the threat posed by (Islamist) terrorism and extremism to the UAE's security (which partially combines elements of the other three threats).

1) Countering the ideological threat posed by the MB and by political Islam to the stability of the UAE's political and social order: Using the name Al Islah, the MB had been able to organize members and activities in the UAE for decades, though not as a political party. From the 1960s on it attracted Arab expatriates who had fled their home countries, but also Emiratis who had studied abroad.[110] Despite the fact that Al Islah had not displayed revolutionary inclinations previously, and despite its small membership, fears arose among the UAE leaders in early 2011 that the movement would instigate unrest, especially in the less wealthy emirates, which were referred to in the local press as a "potential ticking time bomb."[111] What followed was not only a crackdown on Al Islah itself but also on pro-democracy activists who had demanded citizenship for stateless people born in the UAE (*bidoun*). Also affected were the signatories to a petition requesting the right to vote for all UAE citizens and that the Federal National Council be vested with legislative powers. Dozens of people from every emirate and all socioeconomic and political backgrounds – including judges, academics, lawyers, and even a member of the ruling family of Ras al-Khaimah – were consequently put on trial for "breaking laws and perpetrating acts that pose a threat to state security, undermining the public order, opposing the government system, and insulting the President."[112]

The state's responses were widely criticized and seen as an overreaction.[113] They make a certain amount of political sense, however, when one considers them, as Karen Young puts it, as "efforts to 'bind' the political community at the exclusion of those who challenge its authority."[114] It may also be helpful to accept the threat perception among the UAE leadership as real, if not overwhelming, no matter how "imagined" the actual threat posed by Al Islah and other protestors may be or may have been. This would make it a further example of the above-mentioned phenomenon of Gulf states' policies often mirroring the idiosyncracies of their rulers.[115]

2) Securing UAE investments in Arab countries: Because the UAE's investments abroad are central to keeping the country's political and social order intact and to maintaining the UAE's international economic and political clout, securing these investments as well as stabilizing returns on them was a major concern driving the country's reaction to the political upheavals in the region.[116]

Consequent efforts were geared toward strengthening the economic stability of countries of strategic importance for the UAE and thus potentially the Middle East as a whole – efforts that the UAE did not feel were sufficiently appreciated, especially by European states.[117] In general, the UAE used a "carrot-and-stick-policy." This involved, among other things, offering aid, e.g. in the form of grants and loans, and creating mutually beneficial investments through projects that involved the UAE's SWFs and SOEs. It also involved resorting to sanctions in order to shape politics in the countries affected by the Arab upheavals in a way that suited the interests of the UAE; it even shored up military capabilities, as for example in the UAE's engagement in Libya and Bahrain. In Egypt the UAE furthered policies of economic liberalization in the interest of future UAE investments, while it simultaneously hoped that improving the economic situation would politically marginalize Islamist movements. (See chapter 2, section 3.)

Although it remains correct that SWFs follow primarily financial and not political interests, the example of Egypt also highlights the fact that the UAE is increasingly willing to leverage its economic power and its economic entities – namely SWFs and SOEs – for political purposes.[118] Because it took a "quieter approach" than Qatar, the full extent of UAE engagement only emerged over time. It has also been pointed out that the UAE has benefited economically from the regional turmoil since 2011 due to an influx of wealthy and professional expatriate Arabs relocating to the UAE to take advantage of its relative stability and opportunities. The real estate and banking sectors have in particular profited from this development.[119]

3) Containing Qatar's regional influence: The UAE's engagement in countries affected by the Arab protests must also be interpreted as an effort to counter Qatar's activities in these countries. The UAE reached out actively to Saudi Arabia, establishing among other things a joint committee in spring 2014 that intended to adopt a common foreign policy. This had the effect of highlighting the failure of a unified GCC foreign policy.[120] Probably somewhat counter to Saudi interests, it also responded to Qatar's support for the Muslim Brotherhood on religious grounds by establishing the "Muslim Council of Elders" (MCE) in Abu Dhabi in summer 2014. While Doha is home to the headquarters of the "International Union of Muslim Scholars," headed by Yusuf al-Qaradawi, Abu Dhabi has become home to the headquarters of the MCE, headed by Abdullah Bin Bayyah and the Grand Imam of Al Azhar, Ahmed al-Tayeb.[121] Unlike Qatar, the UAE does not adhere to Wahhabism. Given this, and the fact that Saudi Arabia has no interest in strengthening rival religious authorities beyond its own, it is hardly surprising that Saudi Arabia seems to be keeping its distance from both of these institutions.[122]

4) Countering the threat of (Islamist) terrorism and extremism to the UAE's security: The UAE sees domestic and regional security as well as its political and economic stability as threatened by violent Islamist extremism and terrorism. Reflecting the leadership's threat perception, however, it considers not only organizations like ISIS and Al Qaida to be terrorist and/or extremist groups but also sees threats in a large number of other organizations, among them the MB and its various regional and local affiliates. An official list of 80 such organizations was presented in November 2014. It incriminates not only these organizations but also the countries that support them – including, in the UAE's understanding, Qatar.[123]

In its efforts to fight Islamist terrorism, the UAE also presents itself as a moderate voice of Islam. It does this through activities that develop Islamic narratives countering arguments made by movements like Al Qaida and ISIS. One notable example is the Sawab Center, which opened in Abu Dhabi in July 2015 in cooperation with the US, to fight terrorist online propaganda through developing real-time content in response to events in Syria and Iraq.[124] Similarly, a "Forum for Promoting Peace in Muslim Societies" has been engaging since 2014 with Muslim scholars from all over the world "to clarify to the world that Islam is a religion of peace and justice."[125] Although it does not do so openly, the UAE at least partially uses such initiatives to challenge the Saudi-Wahhabi narrative on how Islam ought to be lived and interpreted. By presenting its efforts as being in line with resolutions passed by the UN Security Council, it stresses the country's willingness to assume international political responsibility but also signals its expectation that it should be properly consulted.[126]

3.3 Outlook for UAE Foreign Policy

Under its current leadership, the UAE is expected to continue a regional policy that follows the model of "stability above all" and to rely increasingly on the assumption that other countries – for example, China – will follow a similar rationale in the region.[127] This is likely to increase the existing economic and growing political alignment of the UAE with Asian countries. While the UAE's regional engagement showed its basic willingness to leverage its economic power for its political interests, low oil prices may change its calculations and increase its willingness to engage more actively with its Western allies, especially with regard to a broader regional crisis management.[128] While internal discord in the GCC, both with Qatar but also with Saudi Arabia, are pushed to the background for the moment, the UAE should be expected to act on its interests ever more self-confidently – if not aggressively – as its leadership prepares for the successor to the ailing Sheikh Khalifa bin Zayed Al Nahyan; this may contribute, as Karen Young puts it, to "reinventing the power dynamics of the GCC."[129]

4. Qatar's Foreign Policy

4.1 Qatar's Vital Interests

In recent years, Qatar's foreign policy has exhibited a number of surprising moves and shifts. It nevertheless reflects how the country's leadership attempts to pursue the vital interests of the country and of the ruling family under sometimes difficult conditions. These interests consist of 1) stabilizing the political regime, which had in the past been challenged mainly from within the ruling family of the Al Thani itself, and 2) protecting the state's territorial integrity, which Qatar's leaders perceive to be threatened mainly by Saudi Arabia and Iran. These interests are strongly interconnected, for example because Saudi Arabia has tried to use intra-family rivalries within the Al Thani to affect the succession to power.[130] Economic concerns are thus part and parcel of Qatar's vital interests, since satisfying the financial and economic expectations and demands of members of the ruling family and of the Qatari population contributes to keeping the country politically stable. It is important to consider such connections in order to understand Qatar's foreign policy strategy and especially its initiatives in response to the Arab uprisings. The cornerstones of that strategy have been to foster close political relations with various, often rival international and regional actors and to diversify Qatar's economy and its economic partners.[131] Especially during the reign of Emir Hamad bin Khalifa Al Thani (r. 1995–2013), foreign policy was used as a tool to "brand" Qatar as different from its neighbors and to make itself valuable (if not indispensable) to multiple regional and international actors.[132] Since 2013, Emir Tamin bin Hamad Al Thani has seemed to follow a similar strategy, albeit in a less confrontational manner and in closer alignment with Saudi Arabia.

1) *Stabilizing the regime of the Al Thani politically and economically:* According to the Qatari constitution, the rule of the state rests with the family of the Al Thani, who have acted as representatives of the people settling on the Qatari peninsula since the middle of the 19th century.[133]

Nevertheless, the Al Thani's hereditary political authority was precarious from the outset, as most tribes grazing on the peninsula were not indigenous but transient and owed allegiance to the Wahhabis ruling nearby.[134] This only changed when economic conditions on the water-scarce peninsula improved with the discovery of oil in the late 1930s. The result was a massive population increase from around 28,000 in 1939 to around 300,000 Qatari nationals plus slightly less than two million foreigners today.[135] Zahra Babar has calculated that around 281,000 non-Qatari Arab nationals also reside in Qatar, around 150,000 of whom are employed – a figure that differs from other estimates. Arab foreign workers make up about 12 percent of the total Qatari work force and are concentrated in the knowledge-based sectors.[136]

Unlike in Kuwait or Dubai before the discovery of oil, however, Qatar's early and highly fluid social structures had not generated any enduring political institutions except for the Al Thani ruling family itself. Due to the fact that the Al Thani had loomed large even among the small number of merchants, no other social or economic groups with sufficient power existed to challenge the Al Thani's legitimacy when the country achieved independence in 1971.[137] The ruling family treated oil revenues as its own and used the political weakness of the population to further increase the family's economic and political power.[138] Simultaneously, however, oil revenues further divided the already contentious ruling family, as can be seen from the various palace coups through which most rulers acceded to power.[139] Oil wealth thus added a new bargaining chip to intra-family negotiations.[140] Even more than in other Gulf states, cabinet positions and other offices were and continue to be distributed to members of the ruling family, resulting in a large number of relatively insignificant institutions and "offices for salary-drawing, patronage-dependent, older and relatively marginalized Al Thanis."[141] In order to neutralize remaining demands for succession, around 25 percent of the revenues from the state's natural wealth and resources go into financing the ruling family, which is estimated to have at least 15,000 members, while the ruler himself receives another 25 percent. The remaining 50 percent are allotted to the treasury.[142]

Public debate about this division of revenues is hardly existent, not least because Qatari citizens receive their shares indirectly through an all-encompassing welfare system, similar to that of the UAE.[143] Citizens can receive additional benefits and gifts through direct appeal to the ruler's court, which reinforces the ruler's patronage symbolically and practically.[144] Demands for more political participation are almost unheard of, although elections for the parliament (also referred to as the Shura Council) provided for in Qatar's constitution have been repeatedly postponed since 2005. This limits political participation of citizens to the election of municipal councils.

Actual political power and influence is thus vested in the hands of a small number of people, making Qatar a total autocracy that does not offer more political participation to its citizens than Saudi Arabia does.[145] Despite that, public criticism rarely addresses the political system as such but tends to focus on public spending.[146] According to a 2013 survey, 77 percent of the Qatari population feels that "the state should spend more resources inside the country."[147] Consequently, Emir Tamim bin Hamad Al Thani stressed spending on domestic development in his initial speech to the (appointed) members of the Shura Council after his father, Emir Hamad bin Khalifa Al Thani, handed over power to him in July 2013.[148]

The consentaneous accession of Emir Tamin bin Hamad demonstrates Qatar's remarkable political stability. According to Mehran Kamrava, this stability "is rooted in the country's comparative social cohesion (lack of sectarian tensions, as in Bahrain and Saudi Arabia), its unitary polity and small size (compared to the United Arab Emirates and Oman), and a relatively apolitical, small national population (compared to Kuwait)." He argues that "these factors have combined to give the state relative latitude in pursuing foreign policy agendas it may not have otherwise been able to pursue."[149]

Christopher Davidson assumes that the reigning family's political future will remain largely unchallenged as long as the state can actually sustain high spending and distribute wealth to its population.[150] Securing the economy is thus of central importance for the future stability of the current political regime of Qatar. But Qatar has not yet diversified its economy to the extent that the UAE has.[151] The country's wealth is mostly based on revenues from liquefied natural gas (LNG) coming from the considerable gas field beneath the Persian Gulf that Qatar shares with Iran. Oil and gas still account for roughly 92 percent of export earnings and for 62 percent of government revenues, although other sectors have pushed the non-oil component to just over half of Qatar's nominal GDP.[152] For the moment – and despite shrinking fiscal surpluses as a consequence of the recent low energy prices – Qatar's economy can still be considered strong and stable because it is secured through long-term contracts with Asian countries that receive 71.4 percent of Qatar's gas exports.[153]

Qatar can thus be expected to rely as much on foreign policy to pursue its economic interests in the future as it did in the past. Its economic and, with it, its political focus on Asia and Africa is likely to increase further.[154] But Qatar's power to negotiate gas contracts and to insist on high prices is likely to decrease as the number of LNG exporting countries that can cater to Asian markets rises. Experts point out that Qatar thus needs to secure market shares elsewhere, and in this regard, the Middle East and Europe should be of central interest for Qatar.[155] It has been argued that the search for routes for gas pipelines that could serve new markets might be one of the key rationales for recent Qatari foreign policy initiatives, including Qatar's interventionist policy in Syria.[156] Furthermore, the country should also have an interest in reaching an agreement with its GCC neighbors, whose continuously rising gas demands could to a great extent be met through additional Qatari deliveries via the existing Dolphin pipeline.[157] Ever since the 1990s, however, Qatar and its GCC neighbors have been unable to agree on a mutually acceptable gas price.[158] This contentious issue is often overlooked in analyses of Qatar's strained relations with other GCC countries.[159]

The close alignment of Qatar's foreign policy and economy is also apparent in its international investment policy. Like its GCC neighbors, albeit considerably later, Qatar had set up a sovereign wealth fund with a number of sub-entities to invest revenues from its natural wealth internationally and thereby diversify the economic basis. Like the UAE it also uses state-owned enterprises to re-channel revenues through the creation of new public wealth both inside and outside the country.[160] Qatar Diar Real Estate Investment Company, which is one of the investment arms of the Qatar Investment Authority (QIA), has for example made major investments in Egypt, Lebanon, Oman, Sudan, Syria, and Yemen. Such investments were often made in the context of Qatari mediation efforts in these countries. Diar's activities thus often straddle "investment" and "aid," and making the QIA as a whole one of the more overtly political of the Gulf's sovereign wealth funds.[161]

2) *Protecting Qatar's territorial integrity:* The perception that Qatar's territorial integrity is threatened by external powers is historically rooted in the Al Thani. Its force and extent should not be underestimated. Qatar feels threatened by Saudi Arabia and by Iran. The fact that it relies on Saudi Arabia to hold Iran at bay, on the one hand, while on the other hand depending on good working relations with Iran, due to the shared gas field, poses considerable challenges.[162] This translates into Qatar's more nuanced and less confrontational position vis-à-vis Iran compared to other GCC countries. It also

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means that Qatar actively pursues other security partnerships in addition to those with the US and Saudi Arabia.[163]

Changing alliances have been a trait of Qatari – or rather Al Thani-led – foreign policy for more than a decade, driven by the wish to maintain the country's autonomy and protect its security. This was demonstrated, for example, by the family's conversion to Wahhabi Islam in the early 20th century in order to receive support from the Saudi royal family against the Ottomans and against Abu Dhabi's Al Nahyan. Shortly afterward, in 1916, it acceded to the British Trucial System.[164] After the country's independence in 1971 – but especially since the Iraqi invasion of Kuwait in 1990 – Qatar has increasingly sought military support from the US.[165] More recently, it has also been turning to Turkey and China in order to diversify its political and security partnerships.

Animosities between Saudi Arabia and Qatar can easily be understood when viewed against the background of repeated Saudi interventions in matters of Qatari succession. Tensions have grown further as a result of Emir Hamad bin Khalifa's initiatives since 1995 to increase Qatar's regional role, differentiating itself for example from other regional powers by portraying Qatar as a progressive force in the region.[166] Qatar's television network Al Jazeera, which enjoyed a large audience throughout the Arab world until the outbreak of the Arab uprisings, was an important instrument for this "branding" policy.[167] However, similar Qatari efforts to exert regional influence, for example via conflict mediation in Arab countries like Lebanon, Sudan, and Yemen, were not seen favorably and were even undermined by Saudi Arabia, which is unwilling to be overshadowed by Qatar or any other smaller GCC country. Qatar, very much like the UAE, does thus not feel that Saudi Arabia treats it as an equal, despite its economic growth and social achievements. With Saudi princes referring to Qatar not as a state but rather as "a family of 250,000–300,000," Saudi Arabia does little to change this perception.[168]

Saudi-Qatari relations seem to have improved since power was handed over to Emir Tamim bin Khalifa in summer 2013. The new emir had previously been responsible for the Saudi dossier for several years and – unlike his father – enjoyed good standing in Riyadh. Qatar's ratification of a contentious GCC security pact in August 2013 and references by Qatar's new foreign minister, Khaled Al Attiyah, to the importance of good relations with Saudi Arabia are signs of rapprochement, for these policies are better aligned with regard to Syria.[169] However, differences on the Muslim Brotherhood (see chapter 2, section 4) and Iran are also likely to challenge Saudi-Qatari relations in the future. Several recent references to these issues by Khaled Al-Attiyah foreshadow this.[170] Similarly, intra-GCC tensions could continue, not least because the UAE in particular is not satisfied with the reconciliation reached with Qatar prior to the GCC Summit in late 2014.[171] In times of low oil prices, however, economic considerations could well cause all GCC states to reconsider their positions on regional politics.[172]

4.2 Qatar and the Arab Uprisings

An analysis of Qatar's response to the Arab uprisings and its policy toward the affected countries calls for differentiation in two phases: the early phase of interventionist initiatives taken by Emir Hamad bin Khalifa Al Thani starting in early 2011 and lasting until his abdication in summer 2013; and the second phase of scaled-back policies under Emir Tamim bin Hamad Al Thani. The first of these two phases seems to have demonstrated a temporary shift away from Qatar's prior foreign policy strategy, whereas the second shows a return.[173] Already in 2011, analysts of Qatari politics pointed out that the Qatari leadership was showing signs of overstrain due to a lack of long-term strategies and a lack of a professional and sufficiently large diplomatic corps to follow up effectively on Emir Hamad's initiatives.[174] The transfer of power to Emir Tamim thus facilitated a readjustment of Qatar's politics, the necessity of which had become apparent before. Today Emir Tamim acts with the understanding that Qatar's leaders need to coordinate their actions more closely with Saudi Arabia and obtain that country's approval. Qatar also invests in improving relations with other political actors in the region while continuing to stand firm on its demands for the political inclusion of Islamist forces in countries affected by the Arab uprisings.

Unlike Saudi Arabia and the UAE, Qatar under Emir Hamad did not see the 2011 regional upheavals as a threat. The country enjoyed greater domestic stability than its GCC neighbors. Moreover, the Muslim Brotherhood – despite the residence in Qatari exile of some of its influential representatives – did not have an active cell in Qatar. This might have led Qatar to underestimate the extent to which its GCC neighbors perceived the threat.[175] Instead, Qatar viewed the uprisings as a unique opportunity to increase its political and economic leverage in and beyond the MENA region.[176] This led the country to shift abruptly toward a strategy of proactive intervention. But Qatar's policies regarding the Arab countries experiencing uprisings did not take place in a vacuum; rather, they followed Qatar's vital interests. The fact that Qatar held the presidency of the Arab League – plus the concurrent weakness

of the League's traditional power brokers (Egypt, Syria, and Libya) due to the uprisings – gave Qatar prominence that was readily embraced by Emir Hamad and his closest advisor, Hamad bin Jassim Al Thani, the country's prime and foreign minister during that period.[177]

Under Emir Hamad, Qatar's response to the uprisings was based on several rationales that followed the well-established Qatari strategy of differentiating itself from other Arab Gulf states. Through its new interventionist policies, Qatari leadership was able 1) to portray itself domestically and regionally as champion of the people's right to self-determination while simultaneously diverting attention from its own poor democratic record, 2) to brand Qatar internationally as an interlocutor between the "Arab street" and the West while distinguishing itself from the one-sided position taken by Saudi Arabia and the UAE, and 3) to seek new investment opportunities.

1) *Portraying Qatar domestically and regionally as champion of the people's right to self-determination:* Publicly, Qatar based its engagement during the Arab upheavals on its constitution, Article 7 of which demands support for all people's right to self-determination.[178] Emir Hamad seems to have felt that taking a principled stand at a critical point in Arab history would help Qatar achieve a greater regional role – and potentially divert international attention away from his country's own poor democratic record.[179] Qatar argues, however, that it did and does not favor parties or factions but that it works with legitimated governments. Where such legitimation is lacking – or questioned – Qatar offers its good offices to facilitate dialogue in order to enable the representation and political inclusion of relevant stakeholders.[180] However, it is beyond doubt that Al Jazeera's manner of reporting on the events helped raise the profile of the initial uprisings as a whole and of certain actors in particular, while the matter of Qatar's direct financial support for certain groups remains disputed.[181]

A central question addressed in analyses of Qatar's "siding" with the Muslim Brotherhood and similar Islamist groups during the early phase of the Arab protests is whether Qatari leaders had ideological inclinations toward these movements. While some see Qatar's shift in strategy as a rather opportunistic move that lacked long-term strategy, others point out that Qatar had little choice but to side with the MB, which had not partnered with other regional powers.[182] Kamrava argues that Qatar chose what it considered "the lesser of two evils" with less potential for undermining Qatari stability in the long term.[183] Andrew Hammond, however, draws attention to an important ideological aspect rooted in domestic politics: Although members of the Brotherhood had been living in Qatari exile for decades and were engaged in various sectors of the state, such as education, it was especially Emir Hamad who had used them to moderate the impact of the country's own clerical base, which leans toward Wahhabism. According to Hammond, the 2011 naming of Doha's central mosque after Mohammed Ibn Abdul Wahhab (1703–1792) should not be interpreted as an effort on Qatar's part to appease or flatter Saudi Arabia but rather as an attempt to represent "Qatar's moderate Wahhabism – its Salafi-Brotherhood hybrid – as the true representative of Mohammed Ibn Abdul Wahhab's message as a *mujaddid* [renewer] of the faith."[184]

Furthermore, it should not be overlooked that a relevant number of Qatari citizens as well as members of the ruling family are deeply religious and conservative and even sympathetic to the goals and ideas of Islamists and more radical Islamist groups.[185] As in neighboring GCC countries, critics of the ruling family often target its Islamic credentials, which puts the leadership under pressure to conform to moral and religious expectations.[186] Support for Islamist movements during the Arab uprisings offered Qatari leaders an opportunity to brand themselves as religious and moral donors, as with previous initiatives in favor of Islamic concerns like Palestine and on behalf of the Muslim poor via Islamic charities. Religious legitimation of Qatari foreign policy has helped the leaders divert attention from their dependence on and cooperation with non-Muslim powers and to thereby deprive domestic and regional critics of such ideological and religious arguments.[187]

2) *Branding Qatar internationally as an interlocutor:* Up until 2011, Qatar was perceived as more neutral than other Arab and Gulf states, for it had been less unilaterally engaged on behalf of the old regimes. Because Qatar enjoyed good relations with many representatives of Islamist movements, the regional upheavals provided Qatar with an opportunity to present itself in Western eyes as an interlocutor with moderate Islamists. While countries like Saudi Arabia favored more conservative Salafi movements, Qatar promised to encourage stability by using its influence on the Muslim Brotherhood and its offspring, which, as they argued, offered a stronger popular base than any other Islamist or secular or group.[188] Through this, Qatar aimed to adopt a leading political role in the Arab world.[189]

3) *Seeking new investment opportunities:* Compared to countries like Saudi Arabia and the UAE, Qatar had not been overly engaged in investing revenues from its natural wealth in Arab countries prior to 2011. Especially

in Egypt, Qatar did not have relevant financial and economic stakes in influencing politics and political actors. The events of 2011 and the removal of former strongmen thus provided Qatar with new investment opportunities for its sovereign wealth fund QIA, and these were expected to result in more political influence in the affected countries.[190] The fact that Qatar had not invested heavily in Egypt before summer 2013 also meant that limiting its engagement in Egypt after the removal of President Morsi from power hardly harmed Qatar's economic stakes in Egypt.

4.3 Outlook: Qatari Foreign Policy under Emir Tamim bin Hamad Al Thani

Domestically, Qatar seems more stable than ever, as demonstrated by the smooth accession to power of Emir Tamim. In terms of regional politics, however, it still struggles with its "brand," which suffered from Emir Hamad's interventionist response to the Arab protests between 2011 and 2013. Shedding some of this newer political baggage will be necessary in order to continue its foreign policy strategy resting on good relations with a large number of states and non-state actors.[191]

Despite the recent rapprochement with Saudi Arabia, which is pointing to a closer alignment of Qatar's foreign policy with the GCC, the country's foreign policy is nevertheless likely to remain somewhat unpredictable to outsiders due to the country's aspirations to be a regional power and ultimately a player in international politics.[192] A lack of insight into tight-knit Qatari decision-making circles on the part of outsiders further complicates predictions. The Saudi influence on Qatar will remain restricted, for Qatar, much like the UAE, is interested in carving out its role as a regional actor independent of Saudi Arabia's influence. Qatar is thus likely to continue– to a certain extent – to pursue policies that question Saudi political hegemony and Saudi claims to represent the GCC as a whole.[193] Furthermore, the leverage of Western states on Qatar will be limited as long as the country's main economic partners – and, as a consequence, its political partners – are in Asia. Qatar's search for new gas markets, however, could provide windows of opportunity for closer dialogue with Western states.

Notes to Chapter One

1 Seikaly, "Democratic Challenge," pp. 13–14.
2 Ehteshami, "GCC Foreign Policy," p. 20.
3 Hanieh, *Lineages of Revolt*, p. 137.
4 Coates Ulrichsen, "GCC States Shifting Balance," pp. 10–11; Momani, "Shifting Investments," pp. 167–79.
5 Momani, "Shifting Investments," pp. 171–77. The impact of Arab labor migrants on the responses of the individual Gulf states will be discussed in the following chapters in detail, but it is noteworthy that while in the 1970s, more than 70 percent of migrant workers in the Gulf were Arab, their proportion had fallen by 2005 to 40 percent in Qatar, 31 percent in Saudi Arabia and Kuwait, 12.42 percent in Bahrain, 8.7 percent in the UAE and 5.6 percent in Oman." See Hanieh, *Lineages of Revolt*, pp. 128–29.
6 Coates Ulrichsen, "GCC States Shifting Balance," pp. 1–2.
7 Körber Stiftung, "Krise als Normalfall?," p. 4; Partrick, "The GCC," pp. 26–27; Janardhan, "China, India," p. 209.
8 On Libya, see International Crisis Group, "Libya: Getting Geneva Right"; Wehrey and Alrababa'h, "Rising Out of Chaos"; and Gerlach, *Herrschaft über Syrien*.
9 Janardhan, "Regionalisation," p. 28.
10 On Libya, see Gaub, "From Doha with Love," p. 66, and Boduszyński, "Qatar and Libya." See also Frederic Wehrey, "Is Libya a Proxy War?" *Washington Post* (blog), October 24, 2014 <http://www.washingtonpost.com/blogs/monkey-cage/wp/2014/10/24/is-libya-a-proxy-war/> (accessed September 22, 2015). On Yemen, see Wehrey, "Into the Maelstrom."
11 In 2013, GCC-Asia trade accounted for 3% of total world trade and has increased more than fourfold from 2000 to 2010. In 2013, Asia was GCC's largest trading partner with a bilateral trade volume of more than 673 billion USD. See Coates Ulrichsen, "Small States," p. 2; Partrick, "The GCC," p. 23; Pradhan, "GCC's Asia Pivot." With regard to China, the trade volume between the GCC and China increased with an annual growth rate of 57.8% between 2000 and 2009. In the same period, exports from China to the GCC rose from 3.68 billion USD to 31.25 billion USD, while imports increased from 6.45 billion USD to 29.45 billion USD. See Feng, "Embracing Interdependence," p. 4; Janardhan, "China, India," p. 209; Chen Mo, "Exploring Economic Relations," p. 89.
12 Coates Ulrichsen, "GCC States Shifting Balance," p. 8; Coates Ulrichsen, "Small States," p. 2.
13 See Michael Bröning, "The End of The Arab League?" *Foreign Affairs* (snapshot), March 30, 2014 <https://www.foreignaffairs.com/articles/persian-gulf/2014-03-30/end-arab-league> (accessed September 22, 2015) and Beck, "The Arab League."
14 Kamrava, "Arab Spring and the Saudi-Led Counterrevolution," p. 96
15 Ehteshami, "GCC Foreign Policy," pp. 13–14, 20; See also Dorsey, "Wahhabism vs. Wahhabism"; Haykel, "Saudi Arabia and Qatar," and Henderson, "Saudi Arabia Ups Pressure."
16 Ehteshami, "GCC Foreign Policy," pp. 21–22; Roberts, "Qatar's Strained Gulf Relationships," pp. 30–31.
17 Kamrava, *Qatar: Small State,* pp. 26-27; Coates Ulrichsen, "GCC States Shifting Balance," p. 20; Partrick, "The GCC," pp. 26–27.
18 Hinnebusch, International Politics, p. 113; Wright, "Foreign Policy in the GCC States," pp. 78–79; Young, "Foreign Policy Analysis," p. 12; Niethammer, "Political Reform," p. 241.
19 Kinninmont, "Future Trends," pp. 16–31.
20 Niethammer, "Political Reform," p. 256; Gengler et al. "Civic Life and Democratic Citizenship."
21 Al Tamamy, "Saudi Arabia and the Arab Spring," p. 146, and Wright, "Foreign Policy in the GCC States," p. 79.
22 For further reading see Gause, "Foreign Policy of Saudi Arabia."
23 Gause, "Saudi Arabia's Regional Security Strategy," p. 169. See also Al-Rasheed, "Circles of Power."
24 On the decision-making process, see Herb, *All in the Family,* p. 237, and Steinberg, "Leading the Counter-Revolution."
25 See Vassiliev, *History of Saudi Arabia* and Al-Rasheed, *History of Saudi Arabia*.
26 Cordesman, "True Nature of Saudi Succession Crisis."
27 See also Niblock, *Saudi Arabia and Hertog, Princes*, Brokers.
28 See also Luciani, "Saudi Arabian Business" and Hertog, "New Corporatism."
29 See also Seznec, "Changing Circumstances" and Hertog, "Two-level Negotiations."
30 Hertog, "Segmented Clientelism."
31 See Field, *Merchants*.
32 Seznec, "Changing Circumstances," p. 67.
33 Based on interviews conducted in Riyadh and Jeddah in December 2014.
34 See Tsebelis, "Decision Making."
35 See Commins, Gulf States, pp. 62–64 and Steinberg, "Wahhabiya and Shi'ism."
36 See also Wehrey,"Ominous Divide" and *Sectarian Politics in the Gulf.*
37 Le Renard, *A Society of Young Women,* pp. 29–34; Niblock, *Saudi Arabia*, p. 47.
38 See Steinberg, *Saudi-Arabien*, p. 53.
39 Riedel, "Revolution in Riyadh."
40 Ibid.
41 Based on interviews conducted in Riyadh and Jeddah in December 2014. See also Elashmawy, "Wake of the Arab Uprisings."
42 See Gause, *Saudi-Yemeni Relations*, p. 112.
43 Soubrier, "Regional Disorder"; F. Gregory Gause, "Is Saudi Arabia Really Counter-Revolutionary?" *Foreign Policy*, August 9, 2011 <http://foreignpolicy.com/2011/08/09/is-saudi-arabia-really-counter-revolutionary/> (accessed September 22, 2015).
44 Al-Rasheed, "Saudi Arabia's Foreign Policy," p. 32.
45 Al Tamamy, "Hegemonic or Defensive," p. 14.
46 See Ali Sadrzadeh, "Arab Fear of the 'Extended Arm of Iran,'" *Qantara*, October 20, 2014 <http://www.en.qantara.de/content/irans-foreign-policy-in-yemen-and-iraq-arab-fear-of-the-extended-arm-of-iran> (accessed September 22, 2015) and Wehrey, *Sectarian Politics.*
47 Al-Rasheed, "Saudi Arabia's Foreign Policy," p. 35.
48 Al-Faisal, "Saudi Arabia's New Foreign Policy."
49 On "Iranoia," see Sebastian Sons, "Riad setzt auf Risiko," *Zenith Online*, April 2, 2015 <http://www.zenithonline.de/deutsch/politik/a/artikel/riad-setzt-auf-risiko-004391/> (accessed September 22, 2015)"; on "Shianoia," see two works by Toby Matthiesen: *Sectarian Gulf* and "A Saudi Spring."
50 Since the 1950s, Saudi Arabia has been the US's most important partner in the Middle East. Although the relationship has been ambivalent and to some extent poisoned in recent years – due to the destabilization of Iraq after 2003, the Obama administration's support for the fall of Mubarak in Egypt, and the Obama administration's noninterventionist policies on Syria – the governments remain codependent. See Sunik, "Alte Ziele, neue Taktik" and Mason, "Back to Realism," pp. 32–44.
51 See Dorsey, "Islamic State" and Steinberg, *Kalifat des Schreckens*.
52 The new counterterrorism law of February 2014, however, also serves enables the security forces and government to suppress a wide range of peaceful oppositional movements and not just militant jihadists. Civilian opposition, liberal Islamists (such as Abdullah al-Hamid and Muhammad al-Qahtani), and Saudi Shiites (such as preacher Nimr al-Nimr) have suffered harsh regime repression under the "war on terrorism" label, which provides the government "a legal blanket to suppress any form of dissent." See Azoulay, "Criminalizing Dissent."
53 Ian Black, "End of an Era as Prince Bandar Departs Saudi Intelligence Post," *The Guardian*, April 16, 2014.
54 Guzansky, "Road to Mecca."
55 At the end of April 2015, Saudi security forces arrested 93 suspected members of ISIS. The detainees were accused of having planned a car-bomb attack on the US embassy in Riyadh in March 2015. See Heather Saul, "Saudi Arabia Foils Plot to Suicide Bomb US Embassy in Riyadh," *The Independent*, April 28, 2015.
56 Based on interviews conducted in Riyadh in December 2014.
57 Echagüe, "Emboldened Yet Vulnerable."
58 At the beginning of the civil war, Qatar supported the Syrian branch of the Muslim Brotherhood (MB) whereas Saudi Arabia started to logistically and financially assist anti-MB forces within the Syrian National Coalition (SNC), the common opposition alliance, and its military arm, the Free Syrian Army (FSA). See Teitelbaum, "Is the GCC in Peril?" and Berti and Guzansky, "Saudi Arabia's Foreign Policy on Iran."
59 See Coates Ulrichsen, "Egypt-Gulf Ties."
60 Based on interviews conducted in Riyadh and Jeddah in December 2014.
61 See also Pollack, "Dangers of Arab Intervention in Yemen" and Baron, "Civil War in Yemen."
62 See Henderson, "Riyadh Reshuffle" and Stenslie, "The Coming Royal Succession."
63 See Henderson, "Saudi Arabia's Inexperienced Youngster."
64 Interview with former Saudi member of Majlis ash-Shura in Berlin, May 5, 2015 and Sebastian Sons, "Das Ende der Dinosaurier," *Zenith Online*, May 7, 2015 <http://www.zenithonline.de/deutsch/politik/a/artikel/das-ende-der-dinosaurier-004407/> (accessed September 22, 2015).
65 Nasri al-Sayegh, "New Saudi Tradition" (op-ed in Arabic), *As-Safir*, May 4, 2015 <http://assafir.com/Article/20/416577> (accessed September 22, 2015).
66 See Wehrey, "Authoritarian Resurgence."
67 Interview with Saudi researcher in Berlin in May 2015.
68 Sebastian Sons, "Tod eines Wandlungsreisenden," *Zenith Online,* January 23, 2015 <http://www.zenithonline.de/deutsch/politik/a/artikel/tod-eines-wandlungsreisenden-004344/> (accessed September 22, 2015).

69 James Gavin, “Riyadh Spends to Curb Unrest,” *Middle East Economic Digest*, April 15–21, 2011 <http://www.meed.com/countries/saudi-arabia/riyadh-spends-to-curb-unrest/3094054.article> (accessed September 22, 2015) and Rieger, “In Search of Stability.”
70 Sons, “Saudi-Arabiens Arbeitsmarkt.”
71 See also Stenslie, “From ’Abd Allah to Salman.”
72 Al-Rasheed, “Saudi Arabia’s Foreign Policy,” p. 39.
73 Gause, “Oil and Political Mobilization,” pp. 13–30.
74 Koch, “Vereinigte Arabische Emirate,” p. 145.
75 Davidson, “Dubai and the UAE,” pp. 441–42.
76 Koch, “Economics Trumps Politics,” p. 168; Coates Ulrichsen, “Small States Big Role,” p. 16; Young, “Foreign Policy Analysis,” p. 10.
77 Ehteshami, “GCC Foreign Policy,” p. 15.
78 Herb, *Wages of Oil,* pp. 110–11; Abdulla, “Political Dependency,” pp. 123–36.
79 See Young, *Political Economy,* p. 74. Young mentions that even the bailout of Dubai by Abu Dhabi during the global financial crisis was structured as intergovernmental support.
80 Kanna, *Dubai, the City as Corporation*, p. 61. According to Karen Young, the UAE’s most important political institution is the majlis, which she describes as “not a physical institution, or even a replicable set of policies, but rather a way of communicating, negotiating, moderating behavior and expressing approval and dissent.… The custom is recreated daily because it reinforces a sense of identity and national cohesion, and mediates dissent with the promise of proximity to power and leadership.” See Young, *Political Economy,* pp. 23–24.
81 Hvidt, “Public-private Ties,” pp. 400–01.
82 UK Foreign & Commonwealth Office, “UAE Economy Stronger Than Expected,” June 17, 2014 <https://www.gov.uk/government/publications/uae-economy-stronger-than-expected/uae-economy-stronger-than-expected/> (accessed September 22, 2015).
83 Coates Ulrichsen, “Small States Big Role,” p. 2; Koch, “Vereinigte Arabische Emirate,” pp. 147–48.
84 Koch, “Vereinigte Arabische Emirate,” p. 147.
85 For example, in the bid for the management of several major US seaports in 2006, American politicians incorporated the matter into the national security debate, arguing that a state-owned UAE company would not be a trustworthy steward of US ports. The implication that UAE capital was not trustworthy was deeply humiliating. See Koch, “Vereinigte Arabische Emirate,” pp. 146–47; Hanieh, *Lineages of Revolt*, pp. 136–37; Coates Ulrichsen, “GCC States,” p. 7; Gray, “Theory of ‘Late Rentierism,’” pp. 26–27.
86 Gray, “Theory of ‘Late Rentierism,’” pp. 26–27.
87 Almezaini, “Private Sector Actors,” pp. 50–58; Young, *Political Economy,* pp. 44–46, p. 53; Ziemba and Malkin, “GCC’s International Investment Dynamics,” p. 111.
88 Herb, *Wages of Oil,* p. 107; Gray, “Theory of ‘Late Rentierism,’” pp. 32–33
89 Herb, *Wages of Oil,* pp. 107–12; Young, *Political Economy,* p. 61.
90 Herb, *Wages of Oil,* p. 4, p. 76; Hvidt, “Public-Private Ties,” pp. 565–66.
91 Almezaini, “Private Sector Actors,” pp. 50–51; Hertog, “Introduction,” pp. 9–10.
92 Froilan T. Malit Jr. and Ali Al Youha, “Labor Migration in the United Arab Emirates: Challenges and Responses,” Migration Policy Institute (Feature), September 18, 2013 <http://www.migrationpolicy.org/article/labor-migration-united-arab-emirates-challenges-and-responses> (accessed September 23, 2015); Young, *Political Economy,* p. 22.
93 Herb, *Wages of Oil,* p. 204. Unlike the concrete estimates of non-Arab migrant laborers, estimates of Arab migrant laborers in the UAE vary considerably, as Malit and Al Youha show for Egyptians in the UAE (see previous note). On the decreasing proportion of Arab migrant laborers in GCC countries in general, see Hanieh, *Lineages of Revolt*, pp. 128–29.
94 Kamrava, *Qatar: Small State,* p. 37.
95 Ali, *Dubai: Gilded Cage*, p. 185; Wiese, “Die arabischen Golfmonarchien,” pp. 217–18.
96 Davidson, “Dubai and the UAE,” pp. 237–39.
97 Koch, “Vereinigte Arabische Emirate,” p. 149.
98 Based on interviews conducted by one of the authors in the UAE in spring 2010.
99 Ilias, “Neoliberalism,” p. 134.
100 Partrick, “The GCC,” pp. 20–21. See also al-Akim, Foreign Policy of the UAE, p. 36.
101 Young, “Emerging Interventionists,” p. 8; Partrick, “The GCC,” pp. 20–21.
102 Hvidt, “Public-Private Ties,” p. 561; al-Akim, *Foreign Policy of the UAE*, pp. 59–60.
103 Frank Kane and Sean Cronin, “Iran Nuclear Deal Would Provide Boost For UAE Trade,” *The National*, April 4, 2015 <http://www.thenational.ae/business/economy/iran-nuclear-deal-would-provide-boost-for-uae-trade/> (accessed September 22, 2015). For the UAE’s dependence on Iran with regard to food security, see Harrigan, *Arab Food Sovereignty*, p. 7.
104 Hvidt, “Public-private Ties,” p. 561.
105 Koch, “Vereinigte Arabische Emirate,” p. 149.
106 “UAE Soft Power Means Going beyond Traditional Diplomacy,” *The National* (editorial), December 13, 2014 <http://www.thenational.ae/opinion/editorial/uae-soft-power-means-going-beyond-traditional-diplomacy/> (accessed September 22, 2015).
107 See Coates Ulrichsen, “Small States Big Role,” p. 2 and Coates Ulrichsen, “GCC States,” p. 8. The UAE’s decision to block BP from bidding for upcoming onshore oil concession in Abu Dhabi is but one an example of how the country reacts to political criticism from its partners by leveraging its economic power. See Coates Ulrichsen, “Small States Big Role,” pp. 17–18.
108 Brookings Doha Center, “Energy Stability,” p. 1; Partrick, “GCC States,” p. 23.
109 Kamrava, *Qatar: Small State,* pp. 26–27.
110 Forstenlechner, et al., “UAE, the Arab Spring,” p. 61.
111 Coates Ulrichsen, “Small States Big Role,” pp. 16–17.
112 Forstenlechner, et al., “UAE, the Arab Spring,” p. 59; Coates Ulrichsen, “Small States Big Role,” pp. 16–17; Gause, “Kings for All Seasons,” p. 19.
113 Forstenlechner, et al., “UAE, the Arab Spring,” pp. 60–61; Steinberg, “Islamism in the Gulf,” pp. 65–66; Steinberg, *Saudi-Arabien,* p. 142. See also “Stability or Democracy: What Do Gulf States Want for Egypt?,” video of a discussion between Sultan Al Qassemi, Hani Sabra, and Richard LeBaron held at the Atlantic Council Rafik Hariri Center for the Middle East, Washington DC, August 20, 2013 <https://www.youtube.com/watch?v=i2nzCcfeuuQ/> (accessed July 27, 2015).
114 Young, *Political Economy,* p. 21.
115 Based on interviews conducted in Abu Dhabi, Dubai, and Doha in November and December 2014. See also Berger, “Gulf Cooperation Council,” p. 260.
116 Coates Ulrichsen, “Small States Big Role,” pp. 17–18; Young, “Emerging Interventionists,” pp. 17–18; Seikaly, “Democratic Challenge,” pp. 13–14.
117 Based on interviews conducted in Abu Dhabi and Dubai in November and December 2014. See also Coates Ulrichsen, “GCC States,” pp. 10–11, who reflects on the disgruntlement among Gulf leaders for the fact that they had not been praised highly for their bail-out of Western economies during the 2008-9 global financial crisis.
118 Koch, “Vereinigte Arabische Emirate,” pp. 147–49.
119 Young, *Political Economy,* p. 20.
120 Abdulmajeed al-Buluwi, “Saudi, UAE coordination signals differences with Qatar,” *Al-Monitor,* May 26, 2014 <http://www.al-monitor.com/pulse/en/originals/2014/05/saudi-uae-joint-committee-regional-policy-libya-egypt.html> (accessed September 230, 2015).
121 Abdulmajeed al-Buluwi, “UAE and Qatar compete as Saudi Arabia looks on,” *Al-Monitor*, July 28, 2014 <http://www.al-monitor.com/pulse/en/originals/2014/07/saudi-caught-between-uae-qatar-feud.html> (accessed September 22, 2015).
122 Ibid.
123 For a full list of organizations considered to be terrorist or supporting terrorist groups, see “UAE Backlists 82 Groups as ‘Terrorist,’” Al Arabiya News, November 15, 2014 <http://english.alarabiya.net/en/News/middle-east/2014/11/15/UAE-formally-blacklists-82-groups-as-terrorist-.html> (accessed September 22, 2015).
124 Taimur Khan, “Abu Dhabi Counter-Terrorism Center to Battle ISIL’s Online Lies,” *The National*, July 7, 2015 <http://www.thenational.ae/world/middle-east/abu-dhabi-counter-terrorism-centre-to-battle-isils-online-lies#full/> (accessed September 22, 2015).
125 See website of the Forum Promoting Peace in Muslim Societies <http://www.peacems.com/> (accessed on September 22, 2015).
126 This demand was expressed during the GCC annual summit conference in December 2010 by an unnamed UAE official, who said, “We are not part of the problem, but we want to be part of the solution.” See Partrick, “The GCC,” p. 24.
127 Feng, “Embracing Interdependence,” p. 4.
128 Gause, “Sultans of Swing,” p. 1.
129 Young, “Foreign Policy Analysis,” p. 11.
130 Herb, *All in the Family,* p. 116; Madawi Al-Rasheed, “Saudi-Qatar tensions divide GCC,” Al-Monitor, March 6, 2014 <http://www.al-monitor.com/pulse/originals/2014/03/saudi-qatar-gcc-tensions-islamist.html> (accessed September 23, 2015).
131 Kamrava, “Mediation and Saudi Foreign Policy,” p. 17.
132 Haykel, “Saudi Arabia and Qatar in a Time of Revolution,” p. 2; Peterson, “Qatar and the World,” p. 748; Foley, *Arab Gulf States,* pp. 115–16; Roberts, “Understanding Qatar’s Foreign Policy Objectives,” p. 236.
133 This is shown, for example, by an agreement signed in 1868 by Muhammad bin Thani with the British, see Zahlan, Creation of Qatar, pp. 42–43.
134 Zahlan, *Creation of Qatar*, pp. 16–17; Graham, *Arabian Time Machine*, p. 105.

135 For historic figures, see Zahlan, *Creation of Qatar*, pp. 96–100. For current figures, see Zahra Babar, “Working for the Neighbors: Arab Migrants in Qatar,” video of CIRS Monthly Dialogue held at Georgetown University, School of Foreign Service in Qatar, December 11, 2013 <https://www.youtube.com/watch?v=tiSBi1yzk4g/> (accessed September 22, 2015).
136 According to Zahra Babar (see previous note), 72% of the Arab workforce in Qatar comes from Egypt, Syria, and Sudan.
137 Crystal, *Oil and Politics*, p. 5, p. 114; Kamrava, “Royal Factionalism,” p. 405.
138 Zahlan, *Making of Modern Gulf States*, p. 24.
139 Kamrava, *Qatar: Small State,* p. 113.
140 Crystal, *Oil and Politics*, p. 13; Herb, *All in the Family*, p. 22.
141 Kamrava, *Qatar: Small State,* p. 152.
142 The numbers are far from certain and are based on Coates Ulrichsen, *Qatar and the Arab Spring*, p. 19, who relies on data provided in Rathmell and Schulze, “Political Reform in the Gulf,” p. 59, who again cite a Qatari source from 1978. According to Article 17 of the constitution, the Emir’s financial “emoluments” are determined by his own decree. This system is the result of an agreement brokered by Sheikh Ahmed bin Ali Al-Thani (r. 1960–1972) after growing protests against the Al Thanis’ unwillingness to share oil revenues with the state. See Herb, *Wages of Oil,* pp. 84–85 and Crystal, *Oil and Politics*, p. 153.
143 See Hamzawy, “Debates on Political Reform,” p. 169; Kamrava, *Qatar: Small State,* pp. 158–59. However, criticism can be heard in private.
144 Kamrava, “Royal Factionalism,” p. 406.
145 Kamrava, *Qatar: Small State,* pp. 126–27; Niethammer, “Political Reform and Foreign Policy,” p. 246; Chesnot and Malbrunot, *Qatar: Les secrets*, p. 239.
146 Herb, *All in the Family,* p. 241, pp. 258–59; Hammond, “Qatar’s Leadership Transition,” p. 7.
147 Justin Gengler, “Collective Frustration, But No Collective Action, in Qatar.” Middle East Research and Information Project, December 7, 2013 <http://www.merip.org/mero/mero120713> (accessed July 27, 2015).
148 Barakat, “Qatari Mediation,” pp. 32–33.
149 Kamrava, *Qatar: Small State,* p. 8.
150 Davidson, After the Sheikhs, p. 237.
151 Kamrava, *Qatar: Small State,* pp. 97–98.
152 Central Intelligence Agency, *World Factbook, 2013–14*, “Qatar,” last updated September 16, 2015 <https://www.cia.gov/library/publications/the-world-factbook/geos/qa.html> (accessed September 22, 2015).
153 Japan is Qatar’s largest market, followed by South Korea, India, and China. See al-Tamimi, “Navigating Uncertainty,” pp. 3–4. Al-Tamimi (pp. 19–21) points out, however, that the contracts with South Korea are ending in 8 to 10 years and that Japanese demands will decrease once Japan restarts its nuclear power plants. The 24-year LNG-supply contract with China, however, was only signed in 2011. See Feng, “Embracing Interdependence,” p. 2.
154 Coates Ulrichsen, “Small States Big Role,” p. 5; Young, “Gulf in New World Order,” p. 7; Brookings Doha Center, “Energy Stability,” p. 11.
155 See Al-Tamimi, “Navigating Uncertainty,” pp. 2–4, pp. 23–24. LNG demands in the Middle East are expected to rise six-fold in the next ten years, and the EU, which currently receives 22 percent of Qatar’s gas exports, has – in response to the Ukraine crisis – shown interest in increasing LNG imports. The EU’s main markets for Qatari LNG are the UK, Italy, and Spain. In the Middle East, Jordan is currently building an LNG terminal in Aqaba to make up for decreasing supplies from Egypt. See Blanchard, “Qatar: Background and US Relations,” p. 16.
156 Young, “Emerging Interventionists,” p. 16.
157 Al-Tamimi, “Navigating Uncertainty,” p. 2.
158 See the different accounts on the crisis around the Dolphin Pipeline in Dargin, “Qatar’s Natural Gas,” p. 138; al-Tamimi, “Navigating Uncertainty,” pp. 33–34; Salem and de Zeeuw, “Qatari Foreign Policy”; Roberts, “Understanding Qatar’s Foreign Policy Objectives,” p. 235.
159 Westphal, et al., “Die US-Schieferrevolution und die arabischen Golfstaaten,” p. 35.
160 Kamrava, *Qatar: Small State,* pp. 97–98, p. 149; Chesnot and Malbrunot, *Qatar: Les secrets*, p. 238.
161 Young, “Gulf in New World Order,” p. 13; Chesnot and Malbrunot, *Qatar: Les secrets*, p. 250; Biedermann, “Widening Gulf,” p. 32.
162 Sigurd Neubauer, “Qatar’s Changing Foreign Policy,” *Sada*, April 8, 2014 <http://carnegieendowment.org/sada/2014/04/08/qatar-s-changing-foreign-policy/h7gf> (accessed July 27, 2015).
163 In a speech in late 2013, Foreign Minister Khaled Al-Attiyah criticized the tendency to create Iran as “a virtual enemy” and instead voiced Qatar’s basic support for the international negotiations with Iran. See Al-Attiyah, “Qatar’s Foreign Policy,” p. 8.
164 Anscombe, *Ottoman Gulf*, p. 31; Zahlan, Creation of Qatar, p. 54; Zahlan, *Making of Modern Gulf States,* p. 101; Roberts, “Understanding Qatar’s Foreign Policy Objectives,” p. 234.
165 Kamrava, *Qatar: Small State,* p. 71.
166 Haykel, “Saudi Arabia and Qatar in a Time of Revolution,” p. 2; “Understanding Qatar’s Foreign Policy Objectives,” p. 236.
167 Bahry, “Arab Media Phenomenon,” p. 91; Kamrava, “Mediation and Saudi Foreign Policy,” pp. 17–18.
168 Biedermann, “Widening Gulf,” p. 33; Madawi Al-Rasheed, “Saudi-Qatar Tensions Divide GCC,” *Al-Monitor,* March 6, 2014 <http://www.al-monitor.com/pulse/originals/2014/03/saudi-qatar-gcc-tensions-islamist.html> (accessed September 23, 2015).
169 Hammond, “Qatar’s Leadership Transition,” p. 8; Roberts, “Qatar’s Strained Gulf Relationships,” pp. 28–29; Coates Ulrichsen, *Qatar and the Arab Spring*, pp. 20–21; Biedermann, “Widening Gulf,” p. 30; Neubauer, “Qatar’s Changing Foreign Policy” (see note 162).
170 Al-Attiyah, “Qatar’s Foreign Policy,” pp. 6–7.
171 Based on interviews conducted in Doha and Abu Dhabi in December 2014. See also Roberts, “Qatar’s Strained Gulf Relationships,” p. 28.
172 Neubauer, “Qatar’s Changing Foreign Policy” (see note 162); Gause, “Sultans of Swing,” p. 1.
173 Barakat, “Qatari Mediation,” p. 2.
174 Kamrava, “Mediation and Saudi Foreign Policy,” pp. 555–56.
175 Kamrava points out the majority of Arab workers in Qatar and other GCC countries are non-ideological professionals who are too interested in commercial pursuits to risk their highly restrictive residency permits for any kind of political activism. See Kamrava, *Qatar: Small State,* p. 37. An interview partner in Doha in December 2014 also assumed that Qatar might have enjoyed pinpointing its neighbors’ weaknesses by demonstrating its own stability. See also Roberts, “Qatar and the Brotherhood,” *Survival* 56, pp. 28–29.
176 Kamrava, *Qatar: Small State,* p. 171.
177 Steinberg, “Qatar and the Arab Spring,” p. 1; Chesnot and Malbrunot, *Qatar: Les secrets*, p. 307; Kamrava, *Qatar: Small State,* p. 171.
178 Al-Attiyah, “Qatar’s Foreign Policy,” pp. 6–7; Abdulla, “Qatari Foreign Policy,” pp. 3–4.
179 Barakat, “Qatari Mediation,” p. 29.
180 Al-Attiyah, “Qatar’s Foreign Policy,” pp. 6–8.
181 Barakat, “Qatari Mediation,” p. 29; Samuel-Azran, “Al-Jazeera,” p. 1306.
182 Based on interviews conducted in Doha in December 2014.
183 Kamrava, *Qatar: Small State,* p. 79.
184 Hammond, “Qatar’s Leadership Transition,” pp. 4–5.
185 Foley, “Kuwait, Qatar, the UAE, Bahrain, and Oman,” pp. 308–09.
186 Al-Zo’by and Baskan, “State-Society Relations in the Arab Gulf Region,” p. 8.
187 Davidson, *After the Sheikhs*, pp. 72–75.
188 Kamrava, “Mediation and Saudi Foreign Policy,” p. 542; Hammond, “Qatar’s Leadership Transition,” p. 4.
189 Steinberg, “Qatar and the Arab Spring,” p. 1.
190 Kamrava, *Qatar: Small State,* pp. 99–100, p. 171; Biedermann, “Widening Gulf,” p. 31; Hammond, “Qatar’s Leadership Transition,” p. 4.
191 Barakat, “Qatari Mediation,” pp. 36–39; Coates Ulrichsen, “Small States Big Role,” p. 15; Al-Attiyah, “Qatar’s Foreign Policy,” pp. 5–6.
192 Hammond, “Qatar’s Leadership Transition,” p. 10; Gause, “Beyond Sectarianism,” p. 22; Young, “Emerging Interventionists,” p. 22.
193 Abdulla, “Qatari Foreign Policy,” pp. 6–7; Coates Ulrichsen, *Qatar and the Arab Spring*, p. 22; Roberts, “Qatar’s Strained Gulf Relationships,” p. 29.

Chapter Two
Egypt after 2011: The Impact of Gulf State Engagement

1. Gulf Support for Egypt prior to 2011

Egypt has always been a country of great importance to the Gulf states. Its geostrategic position, its political influence in the Arab world, the size of its military, and the potential of its market are all contributing factors. In some of these fields, Egypt and the Gulf states have formed strong and sustainable partnerships, whereas in others they have viewed each other as rivals.

The following chapter analyzes the interests of Saudi Arabia, the United Arab Emirates, and Qatar in Egypt and contextualizes their efforts and measures in Egypt since 2011. This forms the necessary basis for the assessment at the end of this chapter of the impact of these measures on democratization and inclusive socioeconomic change. Due to its geographic and demographic size – with a population of almost 90 million (see fig. 1) – but also because of its shared borders with Israel, Egypt has always enjoyed financial and political support from Gulf countries.[1] This was even the case under Egypt's President Gamal Abdel Nasser (r. 1952/54–1970), when political ideologies were supported that conflicted with those of the Gulf states.[2] In general, financial assistance from the Gulf in order to support Egypt's economic stability never stopped, although political tension has occurred several times in recent decades. As Arab donors consider Egypt to be a middle-income country, official financial assistance to Egypt by Gulf states in the past was offered mainly in the form of loans.[3] In addition to providing development assistance, Gulf businesses, both private and state owned, have become heavily invested in Egypt's economy over the past decades. These investments were driven on the one hand by the expectation of high financial returns due to the sheer size of the Egyptian market. On the other hand, Gulf states sought to influence economic globalization processes in the region in their interest by diversifying their domestic economies, which are driven by oil, and to strengthen their business relations with countries such as Egypt in order to overcome dependence on Western partners such as Europe or the US.[4]

While Saudi Arabia established close business ties to their Egyptian counterparts as early as the end of the 19th century, the smaller Gulf states such as Kuwait and the UAE have been relatively new economic players on the Egyptian market. Qatar only became a significantly active player on the Egyptian market when Hosni Mubarak was removed from power and the Muslim Brotherhood-dominated government of President Mohamed Morsi was in place between 2012 and 2013.

Figure 1: Demographic data for Egypt in 2014

Population	86,895,099
Age structure	0–14 years: 32.1% 15–24 years: 17.8% 25–54 years: 38.4% 55–64 years: 6.7% 65 years and over: 5%
Median age	Total population: 25.1 years Male: 24.7 years Female: 25.4 years
Population growth rate	1.84%
Life expectancy at birth:	Total population: 73.45 years Male: 70.82 years Female: 76.2 years
Total fertility rate	2.87 children born per woman

Source: The World Factbook, "Egypt," May 27, 2015 <https://www.cia.gov/library/publications/the-world-factbook/geos/eg.html> (accessed June 11, 2015)

2. Saudi Arabia and Egypt after 2011: Interests, Efforts, and Future Prospects

2.1 Saudi Interests in Egypt after 2011

The Saudi government under the late King Abdullah (r. 2005–2015) viewed the fall of Egypt's Hosni Mubarak in 2011 and the subsequent electoral victories of the Muslim Brotherhood (MB) with great concern because it threatened Saudi interests in Egypt. Those interests are: 1) stopping the expansion of democratically legitimized political Islam, 2) containing Iran and Shiism, 3) maintaining Egypt's ability to offer protection to Saudi Arabia through military manpower, 4) preserving Saudi economic interests, and 5) reinstating Saudi supremacy as a regional power broker.[5]

1) Stopping the expansion of democratically legitimized political Islam: For decades, political Islam has been a challenge to the ideology of Saudi-Wahhabi rule. Saudi Arabia's leadership under the late King Abdullah thus had an interest in the Morsi government's failure in Egypt because of "the triple combination of Islamic governance based on forms of electoral representation, nonsectarian ideological commitments, and possible American support," to quote Bernard Haykel.[6] A sustainable Islamist government under Morsi could have resulted in antimonarchical spillover, destabilizing the Saudi rulers' legitimacy at home. This perception is widely shared among the Saudi elite because millions of Egyptian migrants live and work in the kingdom and have injected the ideology of the MB into parts of Saudi society in recent decades.[7] It should be also noted that migration from Egypt to Saudi Arabia is a historical phenomenon.[8] All in all, Saudi Arabia is the primary destination for about 37 percent of all Egyptian migrants (see also fig. 2).[9]

Figure 2: Egyptians living abroad

	Male	Female
Gulf Cooperation Council (GCC)	54%	59%
Other Arab countries	12%	4%
Europe	17%	7%
Other OECD countries	17%	30%

Source: Robert Schuman Centre for Advanced Studies, Migration Policy Centre, 2014

These Egyptian migrant workers account for 5.7 billion USD in remittances from Saudi Arabia to Egypt, while total revenues of remittances of 18 billion in 2013 constitute roughly eight percent of the Egyptian GDP.[10] The same year, Saudi Arabia ranked first, with a share of 42.7 percent of remittance-sending countries, followed by Kuwait (21.3 percent) and the UAE (12.2 percent).[11]

From the 1950s to the 1970s, young Saudis were educated with school curricula inspired by Egyptian teachers affiliated with MB ideology when the movement had been banned under Egypt's President Nasser.[12] As Nasser's strong Egyptian nationalism – which was combined with secular elements of socialism and expansionist pan-Arabism, including anti-monarchical tendencies – posed a viable ideological threat to Saudi Arabia during this time, bilateral relations between Egypt and Saudi Arabia deteriorated. This went hand in hand with a massive influx to Saudi Arabia of Egyptian dissidents who had to flee abroad – including members of the MB. After their arrival in the kingdom, MB members started to establish a Saudi-based network. They created the "backbone of the modernization of the kingdom" by working as teachers, engineers, and political advisors throughout the newly founded state institutions such as ministries and investment authorities.[13] The influx of Egyptian Islamists was thus for some time perceived in positive terms by the Saudi leadership, as the lack of qualified Saudi teachers and administrative officials was gradually corrected by highly qualified Egyptian migrants (and other Sunni Arabs from across the region). Furthermore, "the Saudis needed an Islamic ideology to systematically oppose Nasser's Arab Nationalism, yet the Wahhabi *ulama* were too traditional to build one out of Wahhabism. So the MB were put in charge of the whole Saudi counterpropaganda apparatus"[14] against rising Baathist, Socialist, and nationalist influences within Saudi Arabia.[15]

The MB's ideology has nonetheless aimed from the start at removing Arab monarchies and hereditary dynasties from power and replacing them with an Islamist transnational political system.[16] Hence, the Saudi leadership subsequently began to perceive the growing sympathies for the MB – led by Sayyid Qutb's brother, Mohamed, who was professor of the Umm al-Qura University in Mecca from 1971 onward[17] – with suspicion and as a challenge to its own legitimacy. In the 1990s, a rising Islamist opposition within Saudi Arabia (*al-Sahwa al-Islamiya,* or "Islamic Awakening") was accused of being influenced by Muslim Brothers in Saudi Arabia.[18] The Sahwa movement demanded political reforms such as the installation of a constitutional monarchy, more individual freedoms, and the removal of corrupt administrators. As Haykel states, "the regime saw these claims not only as a form of betrayal by a former protégé but more significantly as an attempt by the Brotherhood to seize the reins of power in the name of Islam."[19] The Saudi rulers' relationship with the MB further deteriorated in 1990 after Saddam Hussein invaded Kuwait, an action supported by the Islamists but strongly opposed by the Saudi royal family.[20]

Since 2011, influential and prominent religious figures inspired by the MB such as Salman al-Awdah, the leader of the Sahwa movement, have expressed their sympathies with the Arab uprisings. In 2012, al-Awdah called for a "hybrid discourse that engages with the inevitability of political change," which the late King Abdullah harshly suppressed when he prohibited the publication of al-Awdah's book *Asilat al-Thawra*. According to Madawi Al-Rasheed, "unlike the majority of official Salafi *ulama*, al-Awdah anchored peaceful collective revolutionary action in an Islamic framework and reached out for humanist interpretations that assimilate Western intellectual positions with this Salafi background."[21] The royal family regarded this as a threat to its power and supremacy.

2) *Containing Iran and Shiism:* Highlighting Egypt's role as part of an axis of Sunni-Arab nations has always been important for Saudi Arabia in order to contain Iran's influence in the region. Thus, the cautious Egyptian-Iranian rapprochement initiated by Morsi seriously worried Saudi Arabia, as this conflicted with Saudi geopolitical reasoning in which Saudi religious and political rivalry with Iran features prominently. For instance, this rapprochement was demonstrated by successive high-level meetings between officials of both states.[22] In addition, Morsi instituted mutual cooperation with Qatar, which had presented itself as a strong supporter of the MB for decades, especially after 2011. Saudi rulers perceived this with great concern, intensifying the rift with Qatar within the Gulf Cooperation Council (GCC).[23] Although Egypt's rapprochement with Iran took place at a very low and non-strategic level, King Abdullah was not able to overcome his deep skepticism about the new Egyptian administration, although Morsi tried to build up a relationship of mutual trust with the Saudi leadership, as evident in his visit to Riyadh soon after his election.[24]

3) *Maintaining Egypt's ability to offer protection to Saudi Arabia through military manpower:* Both countries have closely cooperated in the military sector for decades, particularly during Mubarak's reign. Egypt has served as a military protective shield for Saudi Arabia in times of external challenges such as the Iranian threat. This is due to its large quantity of soldier manpower and its reputation as the only functioning and efficient army in the Arab world. The strong military cooperation continued even after 2011 and despite tense relations with the Morsi administration. The annual exercises "Morgan" and "Faisal" (the biggest joint military exercise in May 2013 during Morsi's rule), as well as joint military training in Tabuk in the northwest of Saudi Arabia, testified to Saudi Arabia's pragmatism over political and ideological ambiguities when security concerns come into consideration.[25]

4) *Preserving Saudi economic interests:* The fall of Mubarak in Egypt also had widespread consequences for the Saudi business community's interests. Saudi businessmen had been active in Egypt for decades, as Egypt is the largest consumer market in the region, geostrategically well situated as a logistical and economic hub to the Sub-Saharan countries and Europe. Egypt is also geographically close to the Hijaz region of western Saudi Arabia, which includes the city of Jeddah, the kingdom's most important trade center. Some bilateral business networks can be traced back to the end of the 19th century, when members of important Egyptian merchants' families came to the Hijaz in order to visit Mecca and Medina for pilgrimage (*hajj*), and then settled in Jeddah and started trade activities from there.[26] Since then, close trading networks have been established through intermarriages (e.g. of the Babtain or Juhayni families), migration to or from Egypt, and joint projects in the construction or agricultural sector. Also noteworthy is the tremendous involvement of Egyptian businessmen in the infrastructural development of Mecca and Jeddah since the middle of the 20th century, e.g. by Talaat Pasha Harb (1876–1941), the founder of the Egyptian Misr Bank, who initiated many economic projects in Saudi Arabia in the 1930s and 1940s.[27] On the Saudi side, famous merchant families such as the Jamjun clan initiated trade projects with Egypt as early as the 1870s. These longstanding ties have stood the test of time no matter what diplomatic conflicts occurred between the two governments. Saudi businessmen, especially entrepreneurs operating from Jeddah, have generally followed their business interests independent of political decisions and government interests. These days, they often use direct access to Egyptian political decision makers.[28]

5) *Reinstating Saudi supremacy as a regional power broker:* The fall of the MB in Egypt also meant an end to Qatar's strong influence in Egypt. Saudi Arabia welcomed this as an opportunity to reinstall itself as the "true leader" of the Muslim world as well as within the GCC.[29]

2.2 Saudi Efforts in Egypt after 2011

Under the rule of the Supreme Council of the Armed Forces (SCAF) until June 2012, and especially after the removal of Morsi in July 2013 by the Egyptian military under General Abdel-Fattah el-Sisi, Saudi Arabia became the strongest partner of post-Mubarak Egypt.[30] It did so by 1) providing financial support for regime stabilization, 2) through private economic activities, 3) via the political and economic influence of non-governmental and semi-governmental Saudi players, 4) through measures to solve legal disputes on economic transactions, and 5) by securing Wahhabi influence.

1) *Financial support for regime stabilization:* In order to preserve the interests mentioned above, Saudi Arabia disbursed tremendous sums in financial assistance in the form of loans, grants, and energy subsidies. This began even soon after the removal of Mubarak in order to prevent Egypt's insolvency.[31] Of course, financial assistance was aimed at stabilizing the current regime rather than supporting political transition toward more political freedom and democratization. To this end, the Saudi Fund for Development (SFD) granted soft loans in 2011 and 2012 such as 430 million USD for financing development projects in Egypt in different sectors. These included housing, water, irrigation, sanitation, electricity supply, energy, health, and a credit line to finance non-oil products worth 750 million to bridge the budget deficit in May 2011;[32] a deposit of 1 billion to the Central Bank in May 2012; and a further 500 million as treasury bonds and bills in June 2012.[33] A sum of 200 million aimed to foster SME establishments was also provided by the SFD in the Egyptian Development Program supervised by the Ministry of International Cooperation as well as 250

million as oil subsidies.[34] In February 2014, the Egyptian administration stated that the influx of Gulf financial assistance had increased economic growth to 3.5 percent, while economic growth was only one percent in the second half of 2013.[35]

After Morsi's removal, Saudi Arabia pledged financial assistance of 5 billion USD to stabilize Egypt's deteriorating economy. Aid took the form of a non-interest deposit of 2 billion (with a five-year duration) to the Central Bank of Egypt (CBE), donations of 1 billion, and gas and oil support of 2 billion.[36] In 2014, a 350-million bilateral energy deal was signed.[37] Additionally, 4 billion have been pledged as 1 billion in deposits to the CBE and 3 billion toward development assistance and investment. These pledges were made during the Egyptian Economic Development Conference (EEDC) in March 2015 at Sharm el Sheikh (see fig. 3).[38]

Figure 3: Financial Assistance to Egypt, 2011–15 (in USD)

Total)	Form of assistance
2011–12: 4 billion	Deposit in CBE: 1 billion Treasury bonds: 500 million Line of credit for non-oil products: 750 million Oil subsidies: 250 million SME support: 200 million Development assistance loans: 430 million
2013–14: 5 billion	Interest-free loan in CBE: 2 billion Oil and gas subsidies: 2 billion Cash: 1 billion
2014: 350 million	Financing of two electricity stations projects in Damietta and El-Shabab: 100 million Petroleum exports: 250 million
2015: 4 billion at EEDC	Deposit in CBE: 1 billion Investments and development aid: 3 billion

Source: see endnotes 32–38

The influx of Saudi money was to a large extent part of a political understanding between Saudi Arabia's and Egypt's leaders, as both were interested in cracking down on the MB.[39] For a certain period of time, the financial assistance was thus judged to be a "win-win situation" for both Saudi Arabia and Egypt's new leadership.[40] However, taking money from abroad became a double-edged sword for Egypt's economic recovery. On the one hand, Sisi bought time to manage the currency depreciation smoothly, but on the other hand, future economic recovery could be hampered if Egypt's government is to avoid cutting subsidies and implementing other economic reforms.[41] Furthermore, criticism has spread among Egyptian social media activists and researchers who have accused the government of "selling" the country to the Gulf region.[42]

Similar reservations about ongoing financial support have also emerged in Saudi Arabia. Challenged by decreasing oil revenues due to the low price of oil, high domestic energy consumption,[43] and rising discontent within the domestic population, which suffers from high youth unemployment (30 percent), financial assistance to the Sisi administration is seen as a "financial burden" from the Saudi perspective.[44] There is a degree of alarm at the extent of Saudi financial and economic assistance and a sense that Egypt may turn out to be a "bottomless pit" requiring constant and long-term support.[45] Calls for halting assistance to Egypt were widespread and are manifested for example in a Twitter campaign in summer 2013 called "Salaries are not enough."[46]

2) *Private economic activities:* Saudi Arabia's private business community has a keen interest in a stable, secure, and investment-friendly Egyptian market in the long term. Demands for economic reforms of the type made by the UAE are less important for Saudi Arabia. In total, 3,302 Saudi companies are said to have been active in the Egyptian market in 2014, most of them working via local sub-contractors, middlemen, or branches of multi-sectoral conglomerates.[47] In fiscal year 2013–14, the trade volume reached 3.25 billion USD (exports: 420 million, imports: 2.83 billion) and rose to 3.31 billion in fiscal year 2014–15 (exports: 595.2 million, imports: 2.71 billion) (see fig. 4). Saudi Arabia is thus Egypt's main Gulf trade partner (see fig. 5).

Figure 4: Egypt's trade volume with Saudi Arabia (in million USD) from 2013–14 to 2014–15

Fiscal Year	Total	Exports	Imports
2013–14	3,251	420	2,831
2014–15	3,305	595.2	2,710

Source: Central Bank of Egypt, Statistical Bulletin, March 2015

Figure 5: Egypt's trade volume with selected Gulf countries (in million USD) 2014–15

Country	Total	Exports	Imports
Saudi Arabia	3,305.2	595.2	2,710.0
UAE	3,016.6	1,285.5	1,731.4
Kuwait	1,509.2	58.0	1,451.2

Source: Central Bank of Egypt, Statistical Bulletin, March 2015

In 2014 total Saudi investment in Egypt amounted to 27 percent of the Arab total investment in Egypt, invested in 2,743 projects, which means that the kingdom is the second largest investor in Egypt from the Gulf (see also fig. 6) after the UAE.[48] Saudi Arabian companies hold the largest proportion of investments from the Gulf. Due to the structural set-up of these investments, however, their scope is often not visible.

Figure 6: Net foreign direct investments from Gulf countries in Egypt (in million USD) from 2009–10 to 2013–14

Country	2009–10	2010–11	2011–12	2012–13	2013–14
Saudi Arabia	323.4	206.3	240.4	191.7	284.4
UAE	303.5	410.8	559.8	480.6	410.2
Kuwait	188.7	58.6	63.5	46.4	129.6
Qatar	70.4	191.5	34.9	375.6	109.1
Bahrain	64.1	66.2	152.5	262.7	193.7
Oman	9.8	11.9	13.3	10.9	13.4

Source: Central Bank of Egypt, Statistical Bulletin, January 2014

They are mainly investing in projects in industry, real estate, finance, tourism, construction, agriculture, petrochemicals, services and telecommunications. Official statistics for sector-related Saudi investment are not available, however. When non-official estimates are taken into consideration, it seems most likely that Saudi investors are more than 60 percent engaged in tourism, real estate, and construction projects, while tourism and agriculture/agribusiness constitute another 25 percent, followed by the remaining sectors such as petrochemicals or finance, with 15 percent.[49]

The most controversial Saudi-initiated mega projects have been the installation of a common electricity grid between both states, the construction of a connecting bridge between Egypt and Saudi Arabia, and the involvement of the Saudi investor Prince Alwaleed bin Talal in the agricultural project Toshka. All of these projects were announced under Mubarak several years ago. However, substantial progress on them has not yet been achieved due to legal disputes, lack of financing, bilateral political disputes, and unrealistic expectations. As a result, these "white elephants" show little sign of being sustainable, well-planned projects. (For an overview of Saudi-initiated projects in Egypt see fig. 7, p. 28.)

Although it sounds surprising, some Saudi businessmen even expressed their discontent with the removal of Morsi. They had hoped for efforts by the MB to fight corruption and cronyism, as the Saudi private business community enjoys considerable political independence. The MB's willingness to vigorously fight the lack of transparency, corruption, and Mubarak-fashioned patronage networks by putting long-lasting contracts under test generally met with sympathy within the Saudi business community, which hoped to benefit from reforms within the economic and bureaucratic structure.[50] Hence, private Saudi investments did not stop during the Morsi government. At the end of 2013, Saudi investments in Egypt amounted to 2.5 billion USD, while the trade volume was 5 billion – indicating no fundamental change in comparison to the period before 2011.[51]

3) *The political and economic influence of non-governmental and semi-governmental Saudi players:* In addition to Saudi private businessmen, non-governmental players and semi-governmental players (with strong involvement of influential Saudi private business players) are also exerting influence via their longstanding ties to members of the old elites within the Egyptian business community, the military, and the current government. "In general, the Saudi government is not involved directly when the chambers of commerce bring partners together," explained a Saudi businessman.[52]

Among these organizations are the Jeddah Chamber of Commerce and Industries (JCCI); the Riyadh Chamber of Commerce and Industries (RCCI); and the Federation of Saudi Chambers; the bilateral Egyptian-Saudi Business Association (ESBA), founded in December 2013 by JCCI and the General Federation of Egyptian Chambers of Commerce (FEDCOC)[53]; and Saudi conglomerates owned by prominent merchant families such as az-Zamil, Bin Ladin, Salih Kamil, or al-Juffali. The Saudi business community's strong influence on the Egyptian economy was also shown in the lead-up to the EEDC in Sharm el Sheikh in March 2015.

Together with the UAE, the Federation of Saudi Chambers and ESBA, chaired by Saudi business tycoon Sheikh Salih Kamel, were involved as co-organizers of the conference.[54] At the end of the conference, a total of 142 billion USD were mobilized by the Egyptian side in forms of investment agreements of 33 billion, memorandums of understanding (MoUs) with a volume of 92 billion, and aid and grants of 17 billion (including 12.5

Figure 7: Saudi-initiated projects in Egypt (overview)

Project Name	Detailed Information	Volume (in USD)	Saudi Project partner	Egyptian project partner	Date of agreement	Announced Completion
International Tender offer for Joint Saudi-Egyptian Electricity Grid[55]	A 20-km underwater transmission line to transfer gas between the two countries at peak times for each country at a maximum of 3,000 MW	Egypt: 570–600 million Saudi Arabia: 1 billion[56]	n/a	n/a	August 2014	2015–16[57]
Bridge Construction[58]		3 billion	Saudi Binladin Group	Arab Constructors		
Toshka / New Valley Project[59]	A system of canals to carry water from Lake Nasser to irrigate the sandy wastes of the western desert of Egypt[60]	Investments of KADC: 52.21 million Planned investments: 7.8 million per year until 2019[61]	Kingdom Agricultural Development Co. (unit of Kingdom Holding Co.) (owner: Saudi businessman Prince Alwaleed bin Talal)	Egyptian government	1997	n/a
MoU to develop 4,000MW of coal-fired power generation facilities[62]	The coal facilities will be developed under an independent power project (IPP) model	7 billion	Acwa Power	Egyptian Electricity Holding Company (EEHC)	March 2015 (at EEDC)[63]	2022
MoU to develop combined-cycle and renewable energy projects[64]	The projects include 2,000MW of conventional combined-cycle power plants, 1,000MW of solar power facilities and also wind power facilities	6 billion	Acwa Power (together with Masdar, UAE)	Egyptian Electricity Holding Company (EEHC)	March 2015 (at EEDC)	n/a
MoU for two major mixed-use and residential projects on the outskirts of Cairo[65]	A 500-acre real estate project in New Cairo A 470-acre real estate project in 6th of October City	3 billion 2.7 billion	Sisban Holdings	Mountain View, Ministry of Housing (land acquisition)	March 2015 (at EEDC)	n/a
Suez Canal Corridor Development Project (SCCDP)[66]	Development of logistics and industry in Suez Canal Zone (SCZone)	4bn USD	Saudi branch of Jordan-Lebanese consultancy Dar Al-Handasah (Shair and Partners)	Egyptian Army	August 2014	2016
Dairy investments[67]	Most of the money would come from equity injections by the joint venture partners in line with their ownership ratios	345m USD	Dairy Company Almarai	US PepsiCo	June 2014	by 2019

Source: See endnotes 55–67

billion from Gulf States).[68] Over 1,500 delegates from 52 countries attended the conference. With 414 delegates participating, Egypt had the largest participation, reaching 41 percent of the total. The UAE came next, with 141 delegates or 14 percent of the total, while Saudi Arabia had the third largest participation, with 57 delegates attending, reaching six percent of the total number of participants.[69]

4) *Measures to solve legal disputes on economic transactions:* Under Morsi, several Saudi infrastructure and construction projects started under Mubarak were brought to a halt when the Morsi government decided to nationalize them. From one day to the next, billions of dollars of Saudi investment were in danger – a situation unacceptable to both the Saudi business community and the Saudi political elite. In total, there were 28 legal disputes between the Morsi government and Saudi entrepreneurs, which has caused bitter resentment from the Saudi side.[70] The concerned firms controlled nearly 2.15 billion USD in Saudi assets, accounting for around 61.6 percent of all stalled Saudi investments in Egypt.[71] The businessmen were accused of bribery to manipulate Egypt's tenders and auctions law. For their part, Saudi investors demanded compensation for the nationalization of their assets and threatened to otherwise withdraw their invested capital from Egypt. These included five Saudi investors who established the Foras Company at the end of 2013 with a paid up capital of 2.67 million USD. They intended to raise it to roughly 20 million should the Egyptian government satisfy their requests and abolish the legal disputes.[72] As a consequence, the Egyptian ministry of investment and the Saudi embassy set up a joint committee to solve legal disputes between Saudi investors and the Egyptian government. In addition, the Egyptian ministry of investment and the Saudi embassy closely cooperated and opened a special office to examine complaints and worries of Saudi investors.[73] As a result, all these cases were settled out of court by March 2014. Nine additional cases have been resolved since the Sisi administration took office, showing the deep involvement of Saudi businessmen in the Egyptian market and their strong ties with Egypt's political institutions.[74] As one Saudi businessmen stated, "if I have a legal problem in Egypt, I will meet my Egyptian partners in politics and they will resolve the issue as I wished to."[75]

5) *Securing Wahhabi influence:* Several governmental and non-governmental actors from Saudi Arabia have been active for decades in spreading Wahhabism throughout the Islamic world and beyond.[76] Nonetheless, the precise extent to which the Saudi government plays an active part in promoting the Wahhabi discourse in Egypt is not clear.[77] However, Egyptian Islamic scholars as well as migrant workers influenced by Wahhabism during their work stays in Saudi Arabia have inspired segments of Egyptian society. Over time, the influence also grew within the prominent theological university Al Azhar, as Laurent Murawiec stated: "Toward the end of the 1990s, it was hard to find an Azhari who had not enjoyed Saudi largesse."[78] Saudi Arabia feared that this influence might be curtailed by initiatives of the MB in power. It is likely that Saudi Arabia exerted pressure on its Egyptian religious and political partners not to curtail the influence of Wahhabism within Al Azhar (whatever its extent may be). No information on such steps is available, making it difficult to substantiate concrete efforts. However, there is a widespread discourse within the Egyptian population that Saudi Arabia is working to "Wahhabize" Egyptian Islam via various religious and non-religious channels, including the media.[79]

2.3 Future Prospects for the Egyptian-Saudi Relationship

King Salman and his closest political partners – these include his son Mohammed (who was designated Minister of Defense in January 2015 and deputy crown prince in May 2015), and the new Crown Prince Mohammed bin Nayef (interior minister and first grandson of the state founder in line of succession) – will not generally turn away from their traditional partner, Egypt.[80] However, the bilateral relationship with Egypt may undergo several modifications under the new Saudi monarch, King Salman. There are several contributing factors: King Salman's interest in a possible reintegration of the MB, Egyptian disapproval of Saudi military action in Yemen, the shift from unconditional Saudi financial assistance to more conditional, project-focused support, personal animosity, and, finally, mutual skepticism within society.

King Salman is interested in a possible reintegration of the Muslim Brotherhood. King Salman wants to cooperate with Turkey and Qatar in order to counter ISIS in Iraq and Bashar al-Assad in Syria.[81] Hence, he might be interested in reintegrating Egypt's MB in order to appease pro-Islamist Qatar and Turkey.[82] In March 2015, King Salman received Turkey's President Recep Tayyip Erdoğan in Riyadh to discuss further security and military cooperation and the support for insurgents fighting Assad in Syria.[83] The Turkish-Saudi settlement resulted in founding a joint command center in the northeastern Syrian province of Idlib.[84] By May 2015, Saudi Arabia had started to coordinate with groups affiliated with the MB in Syria, with Turkish support, in order to fight Assad's troops.[85]

With regard to Qatar, King Salman is considered to be a friend of Qatar's new emir, Tamim bin Hamad Al Thani. This could also change the former Saudi anti-MB policy because their personal friendship could further lead to a Saudi-Qatari modus vivendi by dealing with Islamist movements across the region. At present, the Egyptian side regards this new Saudi pro-MB strategy with great concern; it has caused rifts in the bilateral relationship.[86]

There is Egyptian disapproval of Saudi military action in Yemen. In comparison to his predecessor's policy, King Salman's military action in Yemen, which started in spring 2015, indicates a shift in Saudi foreign policy toward a more interventionist and non-diplomatic approach. With regard to the Saudi-Egyptian relationship, Operation Decisive Storm has further caused animosity between both governments.[87] While Egypt favors a joint military force under the supervision of the Arab League, with strong Egyptian leadership, King Salman is more interested in forming ad hoc coalitions under his own control.[88] The establishment of the joint Arab League military force, comprising roughly 40,000 soldiers, was announced at the Arab League summit in Sharm el Sheikh in March 2015 on Sisi's initiative.[89] As the largest army in the region (with 400,000 active soldiers and 500,000 military reservists) Egypt is seeking to recover its regional clout by commanding this joint military force[90] and taking the lead in the Yemen operation that was denied by King Salman.[91] At the time of writing, Egypt was only involved in Yemen with four war vessels.[92] With regard to the pro-MB stance of King Salman, Saudi Arabia seeks to find a post-military conflict solution in its favor and is thus looking for an alliance with Yemen's branches of the MB such as the Islah Party, which is of great concern for Egypt.[93]

There will be a shift from unconditional Saudi financial assistance to more conditional, project-focused support. Due to decreasing oil revenues, rising discontent within the Saudi domestic population, and the new king's more pragmatic approach toward the MB, unconditional financial assistance in terms of loans, grants, and energy subsidies might go down under King Salman, focussing more on the financing of concrete investment projects.[94] Already in September 2013, the former Saudi Foreign Minister Saud al-Faisal stated, "Every beginning has an end. Saudi Arabia offered grants and loans to Egypt, but will not continue to support it forever.… We cannot support Egypt forever."[95]

Personal animosity exists on both sides. Furthermore, the leaking in February 2015 of telephone conversations between Sisi and his advisers disparaging Saudi Arabia and other Gulf states caused extremely negative reactions in Gulf media and social networks.[96] Although the authenticity of these leaks has not yet been confirmed – and although Sisi tried to calm the waves by immediately calling King Salman[97] – the Twitter campaign "Sisi ridicules the Gulf" started calling for the abandonment of Saudi financial support of Egypt.[98] Furthermore, King Salman and other high-ranking members of the Saudi royal family are worried about Sisi's decreasing popularity among his own people.[99] Soon after he was elected president, Sisi raised tremendous expectations to solve the economic crisis, create jobs for unemployed youth, and reinstall security. However these goals have yet to be met. Thus, the image of Sisi in Saudi Arabia has further declined.

Mutual skepticism extends to society at large. Traditionally, skepticism in wide segments of Egyptian society regarding the country's close relationship with Saudi Arabia never disappeared and will probably not diminish in the foreseeable future. The kingdom is widely perceived as an "artificial construct" based on a strong alliance between the ruling family, the Wahhabi *ulama*, and co-opted tribes and bureaucrats, while Egypt is regarded as the cradle of Sunni Islam, playing an extraordinary role by contributing to Islamic culture over centuries. This means that most Egyptians cherish their country as a cultural nation, whereas Saudi Arabia is widely held to be an artificial monarchy created in the desert – the middle of nowhere. In addition, Wahhabism's puritanical, ultra-orthodox interpretation of Islam contradicts most Egyptians' understanding of their faith. Therefore, Saudi Arabia has the image in Egypt of being backward.[100] In addition, the deportation of Egyptian migrant workers by the Saudi authorities since the beginning of the "regularization process" of the Saudi job market in November 2013 has brought about widespread criticism in social media and in the public media.[101] By March 2014, almost 300,000 Egyptians had been deported.[102] This hurt remittance flows to Egypt and raised severe criticism of the Saudi deportation policy, giving rise to protests of Egyptian workers and, in turn, crackdowns by Saudi security forces.[103]

From a Saudi perspective, the kingdom has replaced Egypt's role as the leading Sunni state, as a viable economic global player, and as a cultural leader within the Islamic world.[104] "Egypt is not a center of power any more because Nasser's policy failed and [so did] the sympathy for Egypt rooted in the admiration for Nasser," stated a Saudi political analyst in December 2014.[105] Furthermore, in the collective memory of the Saudi national narrative, the fall of the first Saudi state is closely connected with the military raid of Muhammad Ali, the former Ottoman Vice-king (*Khedive*) of Egypt, and the devastating defeat of the Saudi troops followed by the Egyptian capture of the Najd from 1818–22 and 1838–43.[106] Thus, "Good and bad things come from Egypt."[107] While Saudis are sometimes described as "the Brits of the Middle East" (characterized as conservative and reserved), the Egyptians are seen as "the French," somehow talkative, enthusiastic, and not very well organized.[108] Beside this critical view of Egyptians, Saudi people certainly also show deep appreciation for Egyptian culture, have been influenced by Egyptian TV shows in the past, and rally around the Egyptian soccer team during international tournaments.[109]

3. The United Arab Emirates and Egypt after 2011: Interests, Efforts, and Future Prospects

3.1 Emirati Interests in Egypt after 2011

The UAE viewed the political developments in Egypt starting in 2011 with the fall of the Mubarak regime and leading to the electoral victories of the Muslim Brotherhood (MB) with great concern. This is because those changes challenged and even threatened a number of UAE interests. Due to the UAE's longstanding strategic financial and political investments in Egypt, complex interdependencies between the two countries had evolved that affected how the UAE chose to engage in Egypt after 2011.[110]

The UAE's engagement in Egypt has been led by 1) a desire to undermine the potential influence of political Islam as a competing political ideology, 2) a need to safeguard the UAE's security in the face of regional instability, 3) a wish to strengthen the role and image of the UAE as a power broker in the region, and 4) an interest in securing pre-existing investments and to open new markets.

1) *The desire to undermine political Islam's potential influence as a political ideology:* Political Islam as represented by the MB is perceived by the UAE leadership as a threat to its political order (see chapter 1, section 3). Relations between the UAE and the MB deteriorated quickly after the outbreak of protests in Egypt in early 2011, during which the UAE sided with Hosni Mubarak.[111] But in fact, relations with the MB had been tense ever since the 1980s. The UAE had become concerned about the MB's influence within the educational and religious sector of the UAE, where many political dissidents from Egypt had found work. UAE leaders perceived this as a form of betrayal because they had expected loyalty and gratitude for the asylum they had provided to members of the MB.[112] As a response, they cracked down on the MB's Emirati branch, Al Islah, in the early 1990s; members of Al Islah were removed from governmental and teaching positions and banned from preaching in mosques.[113] Those notions of betrayal by the MB were quickly revived in the light of the developments that began in 2011 and have reentered the UAE's political discourse.[114]

In order to contain the influence of political Islam, it is in the UAE's interest to either prevent the movement from acceding to power again or cause it to fail when it is in power. In fact, by framing the conflict with the MB as a problem of "if you win, we lose," as Sultan al-Qassemi puts it, the UAE has been less accommodating in its response to the MB than Saudi Arabia.[115] Domestically, the UAE fears that Emirati nationals, especially in the poorer emirates, will be instigated by political Islam through transnational propaganda – but also through migrant Arab workers in the UAE, although these only constitute 8.7 per cent of the overall migrant population in the country.[116] Among these, however, Egyptians figure prominently and are estimated to number between 300,000 and 400,000.[117] Both sides denied rumors that the UAE temporarily restricted the renewal of residence permits of Egyptian workers when the MB was in power in Egypt. Given the strong negative reaction to the MB by UAE officials, however, this was clearly held to be plausible, and the rumors thus caused widespread alarm.[118]

2) *The need to safeguard UAE security against regional instability:* The UAE views regional stability as central to its security. It is therefore in its interest to keep Egypt and its social and political conflicts under control in order to prevent spillover effects to countries closer to the Gulf region or the Gulf itself. This also frees UAE capacities to deal with other, potentially more urgent crises in the region.

Furthermore, the UAE views Egyptian stability as central to its economic growth, which is significant for upholding the UAE's political and social order (as outlined in chapter 1, section 3). Many goods going through Emirati harbors are also passing through the Suez Canal, and UAE enterprises are strongly invested in infrastructure and companies that offer services along the Suez Canal and the Egyptian Red Sea Coast.[119] Stability in and around Egypt is also important to the UAE because Egypt serves as a hub for UAE economic activities in other African countries, especially for agribusinesses in Sudan and Ethiopia.[120]

Finally, Egypt figures prominently in the UAE's political discourse on security, power, and hegemony. This discourse is targeted against Iran as well as against Arab actors and movements that challenge the existing geopolitical order of states and regimes in the Gulf region. The

UAE portrays Egypt as a potential security provider and as a central member of an axis of strong Sunni nations; the relationship with Egypt is constructed as "bound within the same security complex."[121] However, alliance-building measures from the early 1990s on had been pursued more by way of positive propaganda than actual reliance on the Egyptian military for the UAE's defense. In fact, UAE leaders severely mistrusted Egypt's military capabilities.[122] This public relations strategy also seems to be behind numerous references to the "decisive" role Egyptian ground troops played in liberating Kuwait from Iraq in 1991, which have been made in recent years in UAE media and in speeches of UAE representatives.[123] One can also analyze information about recent joint military exercises, presumably leaked by the UAE, as part of PR efforts to fortify the image of mutual cooperation and solidarity between Egypt and the UAE and to sustain the concept of strategic balances within the region.[124]

3) *Strengthening the role and image of the UAE as a regional power broker:* Egypt is a stage on which the UAE can prove its political leadership capabilities. It competes on this turf with Egypt itself but also with Qatar and Saudi Arabia.

On an intra-Arab level, Egypt's need for financial support from the Gulf signaled the country's weakness and hurt its regional standing (and self-perception) as one – if not *the* – major Arab power. By injecting huge amounts of money into the Egyptian economy – funds that were not offered by Western states – the UAE proved its willingness to take up political responsibility not only for Egypt but also for the region. Egypt was not in a position to reject money from the Gulf but clearly signaled that it would not easily subordinate itself politically. The Egyptian government indicated it would not necessarily align its foreign policy with its Gulf sponsors. This, combined with its offer in 2014 to take a leading role in setting up an Arab League intervention force, was meant to reduce the perception of the country's client-like dependency on Gulf money.[125] Egypt was, moreover, opposed to the UAE's growing influence in Egypt's direct neighborhood, for example in Sudan and Ethiopia.[126]

With regard to regional political competition, the UAE and partners like Saudi Arabia used their financial support to roll back the political and financial influence of countries like Qatar, Turkey, and presumably Iran.[127] The UAE used its efforts to help Egypt and the Egyptian people in order to brand itself as a responsible and generous regional power and to simultaneously delegitimize Qatar's efforts – during President Morsi's brief period in power – as self-interested and unsound.[128] Signs of (existing) competition involving the UAE, Saudi Arabia, and Kuwait were muted – at least on the surface – by the fact that all three made equally high pledges to Egypt. At the same time, Saudi Arabia and the UAE in particular vied for the honor of supplying additional help in the form of grants, loans, investments, trade, and technical assistance.[129]

In addition to participating in this intra-Gulf competition, the UAE uses its support for Egypt in its competition with Western powers for regional influence. It portrays its help in terms of Arab solidarity and as a measure to prevent "Western interference" in Arab affairs.[130] The country is also interested in building alliances for the future of Egypt with other international actors such as Russia, which allows the UAE to consequently diversify existing partnerships. Moreover, military interventions by the UAE in neighboring Libya signal the UAE's willingness to increase its sphere of influence even without backup from its traditional political partners like the US.[131]

4) *Securing investments and opening new markets:* Through investments made by state-owned enterprises (SOEs) and sovereign wealth funds (SWFs), but also by private Emirati businesses with whom the UAE ruling families maintain close relations, the UAE was an important player in Egypt's economic affairs long before the 2011 upheavals. Measures to stabilize the Egyptian economy have always been driven by concerns about existing investments and future financial returns. Furthermore, the UAE has an interest in securing Egypt as a market for future investments and to use Egypt for penetrating other markets, for example in Sub-Saharan Africa. UAE investments in Egyptian private equity firms like Citadel and Beltone act as vehicles for acquiring farmland in Africa, most notably in Sudan, and thus form a stepping stone for the expansion of Gulf-based capital into the wider Africa region.[132] Similar regional activities in Egypt by competitors such as Qatar and Turkey are thus seen as a threat to UAE interests.

The UAE's economic interests in Egypt also relate to the future of the Suez Canal. The country is keen to influence Egypt's plan regarding the expansion of the Suez Canal and infrastructure development on Egyptian shores and to protect the central position of UAE harbors in regional trade and transport. The UAE is also eager to expand its position as a regional hub along the "New Silk Road" linking China, Europe, and Africa.[133] It thus has an interest in influencing Chinese-Egyptian economic relations in general and Chinese investments made into and along the Suez Canal in particular. The operation, development, and management of Sokhna Port (south of the Suez Canal) by the Dubai-based company DP World since 2008 has been key to that strategy.

Before 2011, UAE investments existed in key sectors of the Egyptian economy. These included real estate and land development, agriculture and agribusiness, banking and finance as well as tourism. While initial investments were made decades ago, they increased tremendously in the 2000s as part of the UAE's wish to internationalize revenue during the times of high oil prices. The UAE's faith in the Egyptian economy resulted from intricate networks with Egyptian businessmen in the UAE but was also rooted in strong connections involving the ruling families of the UAE, Egyptian politicians, and influential Egyptian families.[134] It is thus not surprising that the UAE was strongly associated with Mubarak's crony capitalism and in the course of the political upheavals faced with numerous lawsuits for bribery.[135]

The exact extent of UAE investment in Egypt prior to 2011 is difficult to determine, partially because of the high number of Egyptian-Emirati joint ventures. According to Karen Young, 400 Emirati firms were active in Egypt in 2009.[136] However, most figures quoted in the literature relate to GCC investments in general and not to investment in individual countries. It is said that Gulf capital comprised at least 25 percent of foreign direct investment (FDI) in Egypt in 2007 and 2008, with some estimates going up to 47 percent. Meanwhile 50 to 75 percent of the stocks in the Egyptian stock market are said to be owned by Gulf investors.[137]

As for land and real estate development, in the decade before 2011, the UAE through its SOEs and SWFs had become one of the largest investors in this sector as a consequence of the privatization of state-owned land under Mubarak. Gulf-based investors like Dubai-based Emaar and its offshoot Emaar Misr were the chief beneficiaries of land auctions but also participated indirectly in real estate projects through stakes in Egyptian companies like SODIC.[138] The Abu Dhabi Fund for Development also provided loans for a number of real estate projects, for example in Sheikh Zayed City near Cairo.[139]

UAE investors and companies have also come to dominate Egyptian food production, processing, and retailing both directly and indirectly.[140] These investments are based on economic considerations but also on the UAE's policy to ensure its own food security. UAE investors in this sector include the Abu Dhabi Fund for Development, Al-Qudra Holding Company, owned by members of the UAE royal family and well connected Emirati business families, and Al Dahra Agriculture, owned by Sheikh Hamdan bin Zayed Al Nahyan.[141] The UAE also has stakes in the food retail chain via investments by UAE businessman Majid Al Futtaim in Carrefour supermarkets and by UAE's Abraaj Capital in Spinney's Supermarket.[142] The country also has a number of indirect stakes in the Egyptian agribusiness sector through investments of UAE wealth funds in Egyptian private equity firms that are invested in Egyptian agricultural companies like Dina Farms and Egyptian Fertilizers Company.[143]

Like other Gulf states, the UAE is highly invested in Egyptian private equity firms and banks. In 2006, the UAE-based Abraaj Capital became the largest shareholder in the Egyptian EFG-Hermes but sold its shares in 2007 to two other UAE-based investment funds, the Dubai Group and the Abu Dhabi Investment Authority. Similar investments from the UAE have been made in Citadel Capital and Beltone Financial.[144] A number of Egyptian banks also have UAE investments.[145]

With regard to the Egyptian tourism sector, the Abu Dhabi Tourist Investment owns three five-star hotels – in Cairo, Sharm el Sheikh, and Hurghada – as well as shares in the Arab Egypt Company for Hotels.[146]

Such investments were not only of economic importance but also have social and political relevance, for they provide jobs, although the exact number they create is not known.[147] Moreover, Gulf investments had a strong impact on the reproduction of capitalist and political structures in Egypt because merging Egyptian with Gulf capital strengthened a number of Egyptian families and power brokers that served as a powerbase for the Mubarak regime.[148]

3.2 Emirati Efforts in Egypt since 2011

Like other Gulf states, the UAE responded immediately after the outbreak of political unrest in 2011 by promising large-scale financial support to Egypt. The UAE pledged 3 billion USD to create job opportunities for Egyptian youth.[149] It was said that the money would be channeled through a newly established financing facility called the Khalifa bin Zayed Fund. Until the end of 2012, however, less than 50 million was actually delivered, and this went mainly for housing projects that had been agreed upon before 2011 but also for medical supplies, support for *Hajj* pilgrims, and to help refugees at the Egyptian-Libyan border.[150]

The "delay" in disbursing the pledged funds was unofficially related to disagreements over the transfer mechanism via the Khalifa bin Zayed Fund but also to unsettled legal disputes pertaining to private UAE investments in Egypt.[151] Gulf donor states were also said to have been

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worried about the transitional government's refusal to sign loan agreements with the International Monetary Fund (IMF) before the spring 2012 elections, but Egyptian government representatives remarked unofficially that the conditions of some of the loans offered by the Gulf states were unattractive when compared to market-based loans.[152]

Since Morsi's removal from power in July 2013, however, the UAE has taken a number of measures in support of the interim government backed by the Egyptian military and later of Abdel-Fattah el-Sisi, who was elected president in May 2014. According to an official UAE information brochure on its foreign assistance program for Egypt, UAE support to Egypt consists first of aid to grassroots development projects with immediate impact on the daily lives of Egyptians and second of technical assistance for the development of an economic recovery plan.[153] According to the brochure, a total amount of 10 billion USD had been allocated for these measures, consisting of a grant of 1 billion and a loan of 2 billion to the Central Bank of Egypt as well as 7 billion for energy needs and various social and economic development initiatives.

The actual amount spent on each measure is difficult to determine because an official breakdown for the years 2014 and 2015 has yet to be released. It is thus unclear if the 4 billion pledged by the UAE during the Egypt Economic Development Conference (EEDC) at Sharm el Sheikh in March 2015 was already included in the aforementioned 10 billion. However, remarks by the ruler of Dubai, Sheikh Mohammed bin Rashid Al Maktoum, during the conference that the UAE has invested 14 billion in Egypt over the past two years seem to signal that the 4 billion came on top of the originally planned 10 billion.[154] It also seems that some of the investment deals announced during this conference are included in the amount of 7 billion for social and economic development initiatives, since the projects announced in the conference overlap with initiatives mentioned in the brochure several months before. The following remarks will thus focus less on the monetary value of the UAE's financial and technical assistance to Egypt, and more on the purposes of the measures through which assistance by official UAE state entities, UAE state-owned enterprises, and private UAE companies is provided. In any case, the money spent by the UAE on Egypt since the summer of 2013 made the UAE the most generous donor of official development assistance (ODA) globally in 2013 and 2014, which further contributed to the UAE's international standing.[155]

The measures through which the UAE has been engaged in Egypt since 2013 include: 1) financial support for economic and regime stabilization, 2) technical assistance for policy reforms and their implementation with support from the UAE-Egypt Task Force, 3) project-based support to quickly benefit the Egyptian population, 4) military cooperation, 5) support for education in general and for religious education in particular, and 6) investments by state-owned and private UAE companies.

1) Financial support for economic and regime stabilization: After the removal of Morsi and his government from power in July 2013, the UAE announced it would provide 3 billion USD assistance to Egypt of which 2 billion would come as an interest-free deposit with Egypt's central bank and 1 billion as a grant. This financial support was meant to prevent Egyptian insolvency due to depleted reserves and to secure loans from the IMF.[156] It appears that the 3 billion provided in 2013 was a reiteration of the (undisbursed) pledges announced in 2011, so the two amounts should not be added. In addition, 1 billion was provided in 2013 for oil and gas products to allow the Egyptian government to sell these products locally at subsidized prices.[157]

In 2014, the UAE provided assistance to Egypt amounting to 3.2 billion USD, but the concrete breakdown of this amount is not yet released.[158] It is thus unclear how much of that amount was used on macroeconomic stabilization measures mentioned above and how much went to other projects. The same applies to the amount of 4 billion USD that had been announced by the UAE as assistance to Egypt during the Egypt EEDC in March 2015.

2) Technical assistance to support policy reforms and project implementation: The UAE quickly realized that pure financial support for Egypt would not be a solution to Egypt's economic malaise but that underlying problems like energy subsidies and overbearing bureaucracy needed to be tackled. The UAE thus set up the so-called UAE-Egypt Task Force to speed up legislation, reforms, and other measures meant to attract more investments that were to be announced during the EEDC in March 2015. At the center of the legislation efforts was the investment law to which amendments were made. So were tax and subsidy reforms. Presumably, the task force also helped settle pending disputes with Gulf companies that had not been subjected to international commercial arbitration in order to increase the willingness of UAE-based companies and enterprises to invest in Egypt.[159]

The task force was headed by Sultan Ahmed Al Jaber, UAE minister of state and chairman of Masdar, a major Emirati state-owned enterprise specializing in renewable energy. Al Jabar was in charge of the political coordination with the UAE and the Egyptian government, while

technical matters were dealt with in the UAE by employees of various UAE ministries and enterprises and in Cairo by additional expert consultants, who were paired with Egyptian ministries.[160]

The UAE-Egypt Task Force was essential for the timely organization of the 2015 EEDC in Sharm el Sheikh. This conference was not meant for facilitating new business deals, as most contracts had been finalized – with the help of the task force – before the conference. Rather, the presence there of dozens of heads of government was meant to portray international recognition of the Egyptian government under President Sisi and to signal to the international community the importance of Egypt for the region.[161] The date fixed for the conference also added pressure on the Egyptian government to conclude legislation processes in time instead of protracting them further.

3) Project-based support to quickly benefit the Egyptian population: The UAE-Egypt Task Force has also been responsible for implementing development projects "with immediate impact on the lives of everyday Egyptians" in sectors like housing, healthcare, food security, education, and transport.[162] A total of 78 healthcare clinics are to serve 780,000 people, and 50,000 new residential units are to house 300,000 Egyptians and create 230,000 construction jobs.[163] Additional jobs in construction are planned to result from projects in the transport sector, for example the supply of 600 buses for public transport in Cairo and the construction of four bridges and 41 railway crossings in six governorates.[164] Although not specifically mentioned in the task force's brochure, a loan of 200 million USD provided by the Khalifa Fund for Enterprise Development to the Egyptian Social Fund for Development falls into this category. Through this loan, microfinance loans will be provided in order to create more than 200,000 jobs.[165]

Through such measures, the UAE seeks to increase the confidence of the Egyptian population in its military authorities and in the Sisi government.[166] This makes quick implementation all the more important. The UAE therefore tasked Egyptian military enterprises with implementing some of these projects – a step that expresses more trust in the efficiency of the military than in that of the private sector. It is noteworthy, however, that this decision somewhat contradicts the UAE interest in deep reforms of the Egyptian economy because for the moment, revenues of military enterprises are not channeled into the state's budget but remain with the military. The Egyptian economy will only make meaningful progress when the military enterprises are fully integrated into the state's economy.[167] Eventually, the UAE will have to weigh this against its interest in a strong Egyptian military.

Relying on Egyptian resources and companies, including the military, for implementation is also a way to portray the UAE's engagement more strongly in terms of mutual cooperation than in terms of the UAE acting as yet another donor country to help "miserable Egypt."[168] Early framings of the March 2015 EEDC as a "donors conference" and domestic campaigns within the UAE with titles like "Egypt in Our Hearts" that were meant to "raise money for the forgotten people in the nation" were not well perceived in Egypt. These were most probably not meant to actively patronize Egypt but were instead part of a UAE strategy to brand itself as generous supporters of the Egyptian people.[169] Increased sensitivity in the UAE to how Egyptians perceive the country's engagement is apparent in recent speeches by Sultan Al Jaber and other UAE representatives that stress the efforts of the task force as "hand-in-hand" work done in the "spirit of collaboration" and "camaraderie."[170]

Having become aware that UAE engagement in Egypt also raised overly high expectations among Egyptians, the UAE was also obliged to make clear that a number of its activities were not targeted at the poorest and neediest but were in fact more in line with the UAE's own economic interests. One such example seems to be the project "One Million Homes for Egypt" undertaken by the Dubai-based construction firm Arabtec.[171] Marketed at the outset as an initiative for young, low-income Egyptians, the project in time became portrayed more and more as a real estate development catering to a middle-income bracket.[172]

It is also important to realize that a number of other projects that are part of the task force's portfolio of grassroots development projects serve the UAE's economic interests in Egypt as neatly as they serve Egypt's economic growth. This applies for example to the building and refurbishing of 25 wheat silos as well as to the construction of railway crossings, especially in the Nile Delta region and along the Mediterranean coast. The wheat silos are billed as an effort to improve Egypt's food security by doubling Egypt's wheat storage capacity, cutting spoilage and reducing grain imports.[173] But these efforts also reduce Egypt's public spending on food subsidies, which are currently sustained through macroeconomic support from the UAE and other Gulf states; such reductions also enable Egypt to increase public spending for more sustainable purposes and to pay back outstanding loans, which in turn also relieves the budget of another hefty burden, currently partly financed through the Gulf countries. The wheat silos are thus part of a larger economic reform plan for Egypt, but one should not neglect the involvement of UAE firms in Egypt's food production and in regional food trade either. In that regard, the announcement of a 6 billion USD investment by the UAE-based companies Al-Suwaidan Group and Al-Ghurair Group during the March 2015 EEDC is noteworthy. This amount is to be spent on silos, new marine and river piers in Damietta Port, and a 600-km railway from Damietta passing through Port Said, Ismailia, and Suez to Safaga on the Red Sea.[174] Nevertheless, during the conference, Ahmed Al-Suwaidan referred to these investments as "non-profitable."[175] Efforts like these are thus an example of how the UAE government is able to incorporate Emirati private and state-owned companies into its economic and development engagement in Egypt. Similarly, the UAE-based bus company Hafilat Industries benefited from the UAE's pledge to provide buses to Egypt by winning a 400-million USD bid to supply half of them. (The remaining 300 buses are to come from an Egyptian supplier.)[176]

4) *Military cooperation:* Several joint military naval maneuvers seem to have been undertaken since 2013.[177] Apart from the military benefits of these exercises, they also served to show the depth of cooperation between the two countries and demonstrate mutual trust. This enhanced Egypt's image as a security provider to the UAE and signaled Egypt's central place in the Sunni axis in the Middle East. The same reasoning applies to UAE's and Egypt's support for General Khalifa Haftar and the joint military intervention in Libya, where both are also fighting Islamist forces.

5) *Support for education, specifically for religious education:* The UAE is actively improving educational facilities and curricula that are intended to benefit more than 67,000 Egyptians; a total of 100 new schools are planned to be built and new vocational training programs implemented in all governorates.[178] These efforts are portrayed as part of the UAE's grassroots development projects, but Emirati companies working in Egypt will also benefit from the improved skills of the labor force.[179]

In this sector, the UAE pays special attention to religious education. By exerting direct influence on Al Azhar through dialogue between religious experts from both countries and through financial support, the UAE wishes to encourage a form of Islam that is closer to UAE traditions over political and Wahhabi strands of Islamic thought. These efforts are also part of the UAE's war on terrorism, which targets organizations of political Islam like the Muslim Brotherhood as much as it targets actual terrorism. Already in July 2012, a memorandum of understanding (MoU) was signed with Al Azhar to provide 30 million USD in funds to support the university's educational and cultural activities.[180] In addition, the UAE is also supporting the Coptic Church to run education and healthcare projects.[181]

6) *Investments by UAE SOEs and private companies:* Most UAE investments in Egypt in recent years were made by SOEs and SWFs and less so by private Emirati businesses. This reflects the strong political (rather than purely economic) calculation behind present investments in Egypt. As previously pointed out (see chapter 1, section 3), however, many seemingly private UAE companies blur the line between public and private UAE investments due to the strong personal involvement of members of the ruling families.

In the run-up to the EEDC in March 2015, a large number of projects were developed and discussed in the media that were officially announced during the conference itself. UAE-financed projects seem to focus on sectors like real estate and land development, energy, transport, and food and agribusiness and thus reflect a continuation of the UAE's past investment strategy. (Information about each sector is detailed below.) The sectors promise quick and high returns on investments for the UAE. They also contribute at least partially to Egypt's economic growth because real estate and construction projects are labor-intensive; from an Egyptian perspective, however, they offer only short- to medium-term solutions to the problem of creating jobs for Egyptians. Transport- and food-related investments also strongly reflect the UAE's interests in regional trade. Investments in the energy sector as well as in the improvement of food storage are in keeping with UAE concerns about the untenable Egyptian subsidy systems for energy and food, which are currently financed by Egypt's foreign creditors and donors.

As far as **Real Estate and Land Development** are concerned, the "new capital" project, with an overall volume of 45 billion USD (a third of the overall investments of 130 billion USD announced during the conference) stands out particularly. The new capital city is planned to spread over 700 square kilometers east of Cairo and comprise more than one million residential units.[182] An MoU was signed between the Egyptian ministry of housing and Capital City Partners, a private real estate investment fund created specifically for this project and led by Mohamed Alabbar, chairman of Dubai's state-owned real-estate company Emaar Properties. Alabbar described the investment as beneficial for both sides: "We're in a partnership with the government. They will offer the land, we will invest, and we will split the profits."[183] Nevertheless, already in May 2015 rumors erupted about the cancellation of the MoU due to disagreements about UAE funding and the provision of military-owned land.[184] Insistence that Emaar Properties is not itself involved in the deal and rumors about UAE objections to involving other state-owned funding into the project suggest that this project is more financially than politically interesting to the UAE. The same financial reasoning seems to apply to another real estate deal announced during the conference that involved the development of a new city west of Cairo. This is expected to cost 20 billion USD and was agreed by the Abu Dhabi-owned investment firm Aabar and the Egyptian property development firm Palm Hills Development, which is partly owned by Aabar. The UAE's construction firm Arabtec is also involved, as Aabar owns a third of it. There has also been talk about the development of a new city near Fayoum through UAE investments.[185]

As for the **Energy Sector,** UAE's Dana Gas announced a 350-million USD gas deal that involves drilling nearly 40 new development wells, workovers on existing wells, building new pipelines, and making an existing plant more efficient. Dana Gas Egypt has already been one of Egypt's largest gas producers.[186] UAE's Masdar announced investments in wind and solar energy plants, and the UAE's Al-Nouwais Investment announced plan to invest 4.5 billion USD in coal-based energy.[187] The UAE is thereby highly involved in Egypt's energy sector in general but also in the management of energy demand in order to increase regional energy security. Coal-based energy is especially labor-intensive and is thus seen as a source for job creation.[188]

In terms of the **Transport Sector,** the above-mentioned projects for the Egyptian railway system, partly financed by the Al-Suwaidan Group, are noteworthy in that they are planned to better connect Sokhna Port with ports at the Mediterranean coast and other parts of the country. The project also seems to include the China Harbour Engineering Company and the Chinese AVIC International Holding Company, again highlighting the UAE's interest in securing its position along the "New Silk Road" to East Asian markets. Another deal worth 415 million USD was signed with DP World to construct liquid bulk terminals at the Sokhna Port in order to handle the anticipated increased demand for the storage and shipping of fuel and petrochemicals.[189]

With regard to **Food Production, Storage, and Retail,** the UAE is highly involved in the 6-billion USD deal with the Al-Suwaidan Group to invest in silos and grain logistics in Damietta. Furthermore, the UAE-based company Canal Sugar announced plans to invest 850 million USD to set up a sugar factory and reclaim agricultural land in Minya province.[190] The private Emirati businessman Majid Al-Futtaim, who manages Carrefour's activities in the Middle East, announced plans to invest 590 million USD in Egypt in the coming years.

A further financial investment in various other sectors, including **Health, Waste Management, and Renewable Energy,** was made by the private Emirati investment group Khalifa bin Butti Bin Omeir (KBBO). Egypt's Ministry of International Cooperation was also eager to point out that a number of deals were struck that involve joint financing from the UAE, Egypt, and France that had resulted from negotiations between the UAE and France prior to the EEDC.[191]

3.3 Future Prospects for the UAE-Egyptian Relationship

The kind and extent of UAE support for Egypt, especially since summer 2013, speaks clearly to the importance the UAE attaches to Egypt and to its interests in Egypt. The following developments can therefore be expected: Strong UAE engagement in Egypt in the future is not only likely but also possible because the UAE does not face the same domestic financial constraints as Saudi Arabia. Financial support will, however, increasingly come with conditions attached. The UAE will expect the Egyptian government to implement administrative and economic reforms. The UAE will discourage political steps such as a reconciliation with the Muslim Brotherhood, but this decision depends more on Saudi considerations of how to engage with the MB and on the MB's international supporters, Qatar and Turkey.

Long-term financial support is possible. Already in 2013 the UAE, Kuwait, and Saudi Arabia signalled to Egypt that their support would not be permanent.[192] But given that the UAE does not face the same domestic financial constraints as Saudi Arabia, support for Egypt may continue as long as there is the political will in the UAE. This will is rooted in an interest in Egypt's economic stability, due to the large UAE investments in Egypt but also based on calculations and personal convictions of Emirati foreign policy decision makers. Generational leadership changes in the UAE might thus impact the UAE's Egypt policy, but as long as the current leadership identifies the transnational network of the MB and its Egyptian headquarters as a threat to its domestic security, the UAE is likely to raise the necessary funds to influence Egyptian politics.

In order to reduce costs, the UAE is more likely to direct its future support into loans and technical assistance rather than additional grants. UAE enterprises and SWFs will also continue to invest in sectors like real estate, ag-

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riculture, finance, and tourism that promise high returns on investment and simultaneously contribute to Egypt's growth.[193] Having learned in depth about the weaknesses of the Egyptian economy through the activities of the Egypt-UAE Task Force, the UAE has an interest in incorporating more donors into the effort to stabilize Egypt economically.[194] It will thus help Egypt to secure FDI from countries like Russia and China, especially for projects that conform to the UAE's economic strategy of remaining a relevant regional transport hub for Asia, Africa, and Europe. Future UAE investments in Egypt's infrastructure should also be seen in this wider context.

Long-term financial support for Egypt is also likely because the UAE perceives Egypt as a field from where it can increase its sphere of influence in – and beyond – the region.[195]

Financial support will not come unconditionally. The activities of the UAE since President Sisi came to power suggest that the UAE will not give its financial support unconditionally. While financial aid was necessary to stabilize Egypt, all of the Gulf states have realized that simply pumping more money into Egypt will only postpone solutions that are needed to effectively address serious underlying economic problems.[196] In its effort to push for results, the UAE will continue to demand the implementation of more administrative and economic reforms. More than in the past, the UAE can be expected to use its economic power for such political leverage.

The UAE may be forced to reconsider its pace, however, for it increasingly realizes the Egyptian leadership's difficulty in implementing reforms, which result from pressure coming from the population and from domestic stakeholders. Pushing harder for reform entails risking the currently good reputation of the UAE in Egypt, especially if the Egyptian leadership decides to blame "external forces" for social hardships caused by these reforms. The UAE is thus likely to continue financing high profile projects for the poor to improve its reputation. However, it must also be careful not to fall back into its habit of presenting itself as a donor for "miserable Egypt," emphasizing instead that the partnership takes place on an equal footing.[197]

For the UAE, economic reforms and related political measures in Egypt enjoy priority. As long as stability in Egypt can be maintained without making implausibly high economic commitments, the UAE is unlikely to change its bet on the current Egyptian leadership. For the time being, the UAE will thus continue to demand more economic reforms from the Sisi government while not pressing for other political reforms or for political reconciliation with the Muslim Brotherhood; the current UAE leadership may even discourage the Egyptian government from taking such steps. This decision will, however, depend more on Saudi than on Emirati deliberations on how to engage the MB and its international supporters, particularly Qatar and Turkey, within the context of other regional efforts and conflicts.

At the same time, it would damage the UAE's international and regional political standing if the country continued long-term to support an Egyptian government that acted in an excessively repressive manner. Military dictatorship – and indeed, any other form of dictatorship, is not in the UAE's interest, nor in the interest of the Gulf in general. For the time being, however, a certain reliance on the Egyptian military seems to many to be their best bet. The UAE and its Gulf partners will thus continue to make an effort to make Egypt's government acceptable to Western powers, by supporting controlled elections, for example, among other things.[198]

4. Qatar and Egypt after 2011: Interests, Efforts, and Future Prospects

4.1 Qatari Interests in Egypt after 2011

Qatar, unlike its GCC neighbors, perceived the political developments that started to unfold in Egypt in 2011 more as an opportunity than as a threat.[199] As noted in chapter 1, section 4, Qatar was politically stable due to strong domestic support for the ruling family, while its comparative social coherence made it more or less immune to the socio-political unrest that shook the wider Arab region.[200] Furthermore, the MB and other Islamist movements had never mobilized against the Qatari leadership, instead it enjoyed a mutually beneficial relationship with Qatar, which allowed it to use various Qatari channels for its external activities. Moreover, regular Egyptian expatriates in Qatar, working mainly in law enforcement and in high-skilled sectors, were not prone to political activism.[201] Finally, Qatar had not been engaged financially and politically in Egypt to a relevant extent before 2011, so that Egypt's economic instability posed no threat to Qatari financial interests.[202] In early 2011 there was therefore little reason for Qatar to join its GCC neighbors in their efforts to fight the growing political influence of the MB in Egypt and in other Arab countries. Instead, actively aligning itself with the demands of the Egyptian MB offered Qatar an opportunity to advance a number of its national interests. However, this calculation had changed by summer 2013, when power was handed over in Qatar from Emir Hamad to his son Tamim and when the Morsi-led government was toppled by the Egyptian military. By then, Qatar's support for the Egyptian MB had "turned into more of a liability than an asset," as Kristian Coates Ulrichsen argues.[203]

Under Emir Hamad – that is until summer 2013 – Qatar's engagement in Egypt was led by three main motives: 1) to brand Qatar to the West as a bridge and an interlocutor with the MB, 2) to improve Qatar's image in the Arab world by portraying itself domestically and regionally as a champion of the Egyptian people's right to political self-determination, and 3) to make inroads into the Egyptian market, which had thus far been dominated by other GCC states and their enterprises. A fourth motive – to demonstrate a different, more moderate foreign policy under Emir Tamim – came into effect in 2013 and has since eclipsed the other three.

The new Egyptian government led by Abdel-Fattah el-Sisi, however, offers little room and potential for Emir Tamim to further pursue motives 1–3. While the prospects for Qatari engagement in Egypt will be discussed further on, it is important to highlight that keeping a low profile in Egypt since summer 2013 has also served Qatari interests by providing proof of Qatar's less unilateral foreign policy under Emir Tamim – both to a domestic Qatari and to a regional Arab audience.

1) Branding Qatar to the West as an interlocutor with the Muslim Brotherhood: Long before the regional political upheavals of 2011, Qatar had already taken steps to carve a position as an independent interlocutor between the Middle East and Western states. It had strongly invested in nurturing good relations with various movements and actors, among them Islamists as well as secularists and Arab nationalists.[204] It had relied on these contacts in multiple mediation efforts through which it sought to brand Qatar as a neutral, reasonable, and responsible player motivated more by the will to be "a good global citizen" than by interest politics, as Mehran Kamrava argues.[205] Actively siding with one political current, that is, the moderate Islamists of the MB, during the regional upheavals marked an abrupt shift and was a risky maneuver in the heretofore balanced Qatari power play. But apparently Qatari leaders expected the political Middle East to be about to change drastically, and it bet that the MB would become the future power in Egypt and in other Arab countries.[206] According to most analysts of Qatari politics, the decision to throw Qatar's full weight behind the MB in Egypt was fueled by calculations of possible benefits and power maximization – ranging from opportunities for economic investments to forms of direct political influence – that outweighed the costs of giving up its carefully crafted previous policy.[207]

Qatar portrayed its active engagement in ousting repressive autocrats – not just in Egypt but also in Libya and Tunisia – as a clear political stand against authoritarian rule.[208] This presentation was clearly geared toward a Western audience. Moderate Islamism was cast as a pan-Arab uniting concept and as the better alternative to Wahhabi and Salafi Islam.[209] Qatar stressed its willingness to use its contacts to apply moderating influence on these actors and thereby offered itself as a bridge and interlocutor between the West and the Arab world's alleged political powers of the future. In doing so, it expected it would strengthen Qatar's international standing in its competition with GCC states like the UAE and Saudi Arabia. Furthermore, by stressing its support for universal values like human dignity, social justice, and political and economic freedom, Qatar simultaneously tried to divert Western attention away from Qatar's own poor democratic record.

These calculations did not bear fruit, however. Not only did Qatar come to be perceived as a partisan player interfering in the domestic affairs of other nations, but it was also put under unprecedented international scrutiny. Here the controversy surrounding FIFA's decision to appoint Qatar as host of the 2022 Football World Cup is but one example.[210]

2) Improving Qatar's image in the Arab world: By siding with revolutionary forces in Egypt and in other Arab states, Qatar also sought to improve its controversial image in the Arab world. Already prior to 2011, Qatar had been increasingly perceived in the region to be "punching above its weight." Expressing its engagement as a form of Arab solidarity was thus meant to foster Qatar's claim for political leadership in the Arab world.[211] Qatar's mediation efforts had also led to accusations of interfering in the domestic affairs of other states. It thus used its engagement in favor of the revolutionary Arab street to portray itself as champion of the people's right to political self-determination and to realize their democratic aspirations. It stressed this approach as a continuation of similar efforts that Qatar had made on behalf of the Palestinian people. Qatari leaders stressed the fact that such support did not contradict the national sovereignty of another nation but fully respected legitimate governments. Implying that the Mubarak regime had forfeited this legitimacy, Qatar portrayed its engagement as an effort to include all parties in the political process and as a measure to protect peaceful supporters against the use of force.[212] Finally, Qatar had been perceived as a close ally of the US, which itself does not enjoy good standing in the Arab world. Qatar thus saw its engagement in favor of what increasingly seemed to be an Arab majority as a step to improve its reputation.[213]

One instrument the country used to present its position on the political uprisings was Al Jazeera. The network's reporting on the uprisings led to the so-called "Al Jazeera effect," which not only raised Qatar's profile but simultaneously also those of the uprisings themselves.[214] Protestors and especially protagonists of the Egyptian Muslim Brotherhood received ample airtime to comment not only on the events in Egypt but also on the position of other GCC countries. The Egyptian preacher Yussuf al-Qaradawi's criticism, aired on Al Jazeera, of the crackdown on MB members in the UAE aggravated the looming conflict between Qatar and the UAE, but also angered Saudi Arabia.[215] So while Qatar was able for a certain time to improve its image in the countries of the uprisings, especially among moderate Islamists, its engagement further infuriated its neighbors as well as Arab secularists.[216]

3) *Winning over the Egyptian market:* Qatar expected that changing power structures in Egypt would provide new investment opportunities for Qatar's Investment Authority and for private Qatari businesses. It hoped thereby to increase Qatar's efforts of economic diversification but also to reduce the economic and political influence of its GCC neighbors on Egypt.[217] It expected to capitalize on the long-nurtured relations with the Egyptian Muslim Brotherhood, e.g. by receiving preferential treatment from the Morsi administration. Good relations with the new government were also expected to settle the Qatari-Egyptian conflict regarding both countries' economic and political interests in Sudan, as Egypt considered Qatar's involvement there as meddling in Egypt's backyard.[218]

4) *Branding Emir Tamim as different from his father:* Today, Qatar is able to provide evidence that Emir Tamim has readjusted Qatar's foreign policy, thanks to the new emir's political reconciliation with Egypt's new government beginning in late 2014 as well as to the fact that it now keeps a low profile in Egypt in general. Tamim has ceased his father's policy of outright intervention and returned to mediation by offering Qatar's offices as an interlocutor with the Muslim Brotherhood (with whom Qatar had not broken despite considerable external pressure.)[219] While on the whole Qatari interests in Egypt remain similar to those pursued under Emir Hamad, the strategies of following these interests have been adjusted.

4.2 Qatari Efforts in Egypt since 2011

After the outbreak of political tensions in Egypt in early 2011, Emir Hamad reacted swiftly with a number of measures. These measures included 1) support for the political opposition, especially for the Muslim Brotherhood, 2) financial support for macroeconomic stabilization, 3) business investments, and 4) technical assistance for development purposes.

1) *Immaterial and presumably also material support for the political opposition:* Qatar supported the Egyptian opposition and especially the MB through its political rhetoric against the Mubarak regime and by championing the Egyptian people's right to political self-determination. The various TV channels belonging to the Qatari Al-Jazeera network, especially Al Jazeera in Arabic and Al Jazeera Mubasher Egypt, provided considerable airtime to highlighting the demands and activities of the opposition and the government's crackdown on the opposition.[220] While on air, commentators like the MB protagonist Yussuf al-Qaradawi also criticized the UAE for its domestic actions against Islamists. Al Jazeera was thus a thorn in the flesh of the Egyptian regime and military but also caused anger in the UAE and Saudi Arabia.[221] While Qatar argues that Al-Jazeera works independently of the Qatari government, the network's financial dependency on the state undermines this argument.[222]

Allegations of direct Qatari financial support for the MB have not been substantiated. The issue, however, loomed large in the media, not least because all groups accused each other of receiving foreign funding.[223] Ferry Biedermann also points out that there is no evidence showing that material support was used for violence against the Egyptian state, even though the Egyptian discourse on the MB as terrorist organization implies this.[224]

The ups and downs of official Qatari-Egyptian relations were also demonstrated through the withdrawal of their ambassadors at different stages, even as the embassies continued their diplomatic and consular work.[225] While relations took another downward dip right after Emir Tamim took power in Egypt, the ambassadors did finally return in the spring of 2015 after the political reconciliation within the GCC, the release of Al Jazeera journalists from Egyptian prisons, and the closure of Al Jazeera Mubasher Egypt.[226]

2) *Financial support for macroeconomic stabilization:* Qatar provided financial support for macroeconomic stabilization mainly via grants and loans to the Egyptian Central Bank. Financial transfers after 2011 were meant to shore Egypt up economically against looming insolvency. In 2011, Qatar had pledged support amounting to 10 billion USD, a considerable amount of which it transferred between October 2011 and April 2013, when other Gulf states abstained from transferring most of their pledged support. According to Coates Ulrichsen, it is unclear how much money was actually provided, but Qatar deposited at least 1 billion as a grant and 4 billion as loans with the Central Bank of Egypt of which 3.5 billion was to be converted into bonds through a newly established Medium-Term Note Program.[227] In September 2013, 2 billion were returned to Qatar after negotiations on the conversion had failed.[228] In spring 2013, Qatar and Egypt had already failed to negotiate the conditions of a further loan of 3 billion at an interest rate of 5 percent.

In addition, Qatar delivered five liquefied natural gas shipments meant to ease Egypt's shortage of power in autumn 2013, that is, after the Morsi-government was removed from power, and thereby kept promises it had made earlier. After the change of government, however, there was no follow-up on negotiations for a long-term delivery contract for Qatari gas to Egypt that had already been concluded in a memorandum of understanding (MoU).[229]

Pledges Qatar made in 2012 that were meant to "shore up the economy" consisted mainly of announcements of investments (to be discussed below) and did not involve financing macroeconomic stabilization.

3) *Larger and smaller business investments:* In September 2012, members of the Qatari government and the Qatar Investment Authority (QIA) announced plans to invest 10 billion USD over the course of five years in real estate and tourism projects near Alexandria and 8 billion for an integrated power project in Port Said.[230] No details of these plans were publicized, and further negotiations broke down with President Morsi's removal from power and the subsequent deterioration of Qatari-Egyptian relations. Furthermore, a partnership was announced between the Egyptian equity firm Nile Capital and a son of Qatar's prime minister to create a 250-million USD fund to invest in education across the Arab world, but again no further information was provided.[231]

Several Qatari state-owned companies started to penetrate the Egyptian market, among them the real estate enterprises Barwa and Qatari Diyar. While some projects in real estate are currently put on hold, most activities in this sector continue; apparently Egyptian consumers have not tied their private purchases to the political tension between Qatar and Egypt.[232] Similarly, the business of Qatar National Bank (QNB), which had acquired the Egyptian Al-Ahly Bank, is said to have suffered only marginally due to the termination of official Egyptian clients while the majority of private clients remained with the bank.[233]

Mehran Kamrava mentions that, on the whole, QIA invested 543.8 million USD in Egypt and thereby created 4,000 jobs.[234] This amount seems minor compared to the support and the investments shored up by the UAE, Kuwait, and Saudi Arabia since the summer of 2013. Indeed, most negotiations between Qatari and Egyptian private businesses do not seem to have come to fruition, despite numerous Egyptian business delegations that visited Qatar.[235] Nevertheless, skepticism about Qatar's objectives in Egypt were strong and rising, even before 2013, signaling the strained relations between Qatar and Egypt even before Morsi was removed from office.[236] Other GCC states were also greatly concerned about Qatar's business activities in Egypt, much more than about Qatari involvement in Tunisia, as Coates Ulrichsen notes.[237]

4) *Technical assistance for development:* According to annual reports on Qatar's foreign aid that are published by Qatar's foreign ministry, Qatar has been financing a number of development projects in Egypt. Amounts have been extremely inconsistent, with 500 million USD in 2010–11, just 1 million in 2012 and 168 million in 2013.[238] Qatar's development cooperation thus does not seem to reflect the closeness of the countries during this period. The reports do not go into great detail about the projects themselves, but minor parts of the overall amount seem to have gone into projects of Qatari development organizations providing technical assistance in Egypt.[239] Silatech, a Qatari organization established in 2008 by Sheikha Mozah that focuses on youth employment in Middle Eastern and North African countries, has been active in Egypt to improve youth employment in cooperation with Microsoft Egypt's CSR department. Together, they ran the online platform "Masr Works," which matched job seekers with job providers. Silatech also offered training in youth centers and universities in all governorates. Together with the German GIZ, Silatech also had a project to develop bank saving accounts for Egyptian youth.[240] Reach Out to Asia (ROTA), a Qatari organization under the umbrella of Qatar Foundation, was planning to venture into Egypt in 2013 in order to improve primary and secondary education. While ROTA initiatives never seemed to have made it off the ground, other Qatari projects apparently continued even after the summer of 2013, although mediated by local Egyptian and international NGOs and by local and international businesses.[241]

4.3 Future Prospects for the Egyptian-Qatari Relationship

The GCC Summit in Doha in December 2014 marked not only Qatar's reconciliation with its GCC neighbors but also opened a new page in Qatari-Egyptian relations. While most experts argue that it is still difficult to predict the foreign policy line Emir Tamin will be following, a number of developments seem likely with regard to Egypt.[242] In order to strengthen its ties and relations with Saudi Arabia and reduce tensions with its direct neighbors, Qatar is pressed to reconcile politically with Egypt and to refrain from unilateral approaches. Having to navigate a "post-Arab spring" regional landscape, Qatar is also pressed to reach out to other political actors and to diversify its networks and contacts in Egypt. Nevertheless, Qatar will continue to demand the political inclusion of the Muslim Brotherhood. Finally, Qatar's economic support for Egypt is likely to remain limited and its investment to be restricted to certain sectors.

Cautious Qatari-Egyptian political reconciliation is underway. Emir Tamim seems to act with the understanding that the political Middle East has undergone structural changes that do not allow him to antagonize Saudi Arabia as his father did. This pertains not only to the situation in Egypt, where Qatar lost its short-lived political influence when the Morsi government was toppled, but also to developments in the Persian Gulf itself. As a result of the recent US-Iranian rapprochement, Iran is now less dependent on Qatar, a country that has long drawn strength from being a bridge linking Iran, the GCC, and the US. This leaves Qatar pressed to reach out to Saudi Arabia to secure its claims to the gas field it shares with Iran.[243] Under Emir Tamim, Qatar is thus less likely to pursue unilateral initiatives, but to seek and influence GCC consensus on regional strategies. It has consequently taken a number of steps to reduce tensions with its neighbors, both with regard to Egypt and to other regional conflicts, although it stressed that it would not compromise on certain fundamental principles.[244]

With regard to Qatar's Egypt policy, this has translated into a careful rapprochement since late 2014. While Qatar did not expel members of the MB from Qatar or express any kind of apology for its political involvement in Egypt during the uprisings, it did suspend its Egypt-focused TV channel Al Jazeera Mubasher Misr.[245] Consequently, Egypt released three Al Jazeera journalists who had been held in jail since December 2013. Another sign of reconciliation was President Sisi's personal reception of Emir Tamim at the Arab League Summit at the end of March 2015 in Sharm el Sheikh, where the two also held bilateral talks.[246] Two weeks earlier, however, the Emir had not participated in the EEDC investment conference but only sent a small delegation headed by an official from the ministry of the economy. Qatar's media similarly ignored the conference and instead published an opinion piece by Azmi Bishara, one of the Emir's closest advisers, in which he strongly criticized the Sisi government.[247] Moreover, the conflicting Qatari and Egyptian responses to the Egyptian military attacks on Libya in February 2015, which led to yet another temporary withdrawal of the Qatari ambassador from Egypt, prove that tension between Qatar and Egypt is still simmering.

There is a need to diversify relations with Egyptian political actors. Qatar is likely to reach out to political parties and movements beyond the MB and to thereby widen its political partnerships in Egypt. This is a pragmatic step for Qatar to "navigate a 'post-Arab spring' regional landscape," as Coates Ulrichsen put it, but it is also necessary in order to shed some of the "baggage" that it had acquired in recent years relating to its one-sided position in favor of the MB.[248] In that regard, the growing political influence of Azmi Bishara on Emir Tamim is noteworthy. Bishara is a Christian Palestinian and former member of the Israeli Knesset with pan-Arabist inclinations and a wide network of contacts throughout the entire Arab world.[249]

Qatar makes ongoing demands for politically integrating the Muslim Brotherhood. Despite Qatar's need to reach out to new partners and to establish new contacts in Egypt, Qatar has not cut its ties with the MB, although the rhetoric of outright support was downgraded in order to calm tensions within the GCC and especially with the UAE. But Qatar continues to provide refuge to representatives of the MB and presents itself as "the destination of the oppressed."[250] Yussuf al-Qaradawi continues to be courted by Emir Tamim and still heads the Doha-based International Union of Muslim Scholars.[251] Furthermore, Emir Tamim and members of the Qatari government continue to stress the importance of finding a "political solution" in order to settle the social and political conflicts in Egypt.[252] In other words, Qatar continues to demand the inclusion of the MB into a national political dialogue. This demonstrates that Emir Tamim has not shredded all attributes of his father's foreign policy but instead holds on to some elements as part of a longer-term strategy.[253] Keeping its contacts with the MB might eventually enable Qatar to become useful again as an interlocutor, not only for GCC members, but also by the EU and the US.[254]

Qatar's economic engagement in Egypt will remain limited. It is unlikely that Qatar will return to Egypt politically and economically before demands for the political reconciliation with the MB are at least partially met. For Qatar itself, this would mean losing face, even though in regional and international media Qatar's current exclusion from Egyptian politics is depicted as a defeat of Qatar's regional aspirations. If Qatar were asked to resume its activities, this might mean a substantial win for Qatar, as it may demand in exchange either a visible mediating role in Egyptian domestic reconciliation or measures that would strengthen Qatar's role within the GCC. Such a development would in fact turn into a win-win-situation for Qatar, as its current inactivity in Egypt saves Qatar money. Despite Saudi and especially UAE opposition to such political inclusion of the MB in Egyptian politics, the two countries might still press for more Qatari financial support for Egypt's stabilization in order to share this financial burden.

Qatar's relatively few financial investments in Egypt do not merit any forced moves to return to the Egyptian scene. Qatar's main economic ties are currently with Asia. The country signaled its independence from Egypt's economic future by sending only a small and not very high-ranking delegation to the 2015 EEDC. For the moment, only profitable business activities of Qatar in Egyptian real estate (Qatar Diyar) and banking (QNB) will continue, for these are unlikely to be harmed even if political tension between Qatar and Egypt increases.

Unlike the UAE and Saudi Arabia, moreover, Qatar has never reached out to Egypt as a security partner. For Qatar, it made little sense to evoke a Sunni axis because it did not face challenges from its own Shia population and because it needed to maintain good relations with Iran. The effects of the recent nuclear deal with Iran on Qatar remain to be seen, but Qatar's foreign minister has already made clear that Egypt's stability – and good relations with Egypt – are both in Qatar's interest as well.[255]

5. The Impact of Gulf State Financial Support on Egypt's Political and Economic Development since 2011

5.1 General Remarks

In general, the financial assistance Gulf states provided to Egypt after 2011 indisputably had both an economic and a political impact on the country's subsequent development. Despite the lack of real insight into the restricted political decision-making circles in Gulf states, it is safe to argue that all Gulf states intended to stabilize Egypt economically in order to forestall economic collapse with severe socio-political consequences and to thereby protect their investments in Egypt.[256] In addition, they also sought to strengthen, if not to install, political actors who followed an agenda close to the respective Gulf state's regional policy outlook. Preventing Egypt's collapse and keeping the region as a whole under control were of highest priority to all of the Gulf states, whereas helping Egypt transform its political system into a more open and democratic one was certainly not. (It should be noted, however, that Qatar did argue that its support for the protests expressed the importance it attached to the people's right to self-determination.) Gulf assistance might thus not have led to fulfilling the hopes and demands of the Egyptian protesters who had sought deep socioeconomic and political changes, but it certainly played to the interests of the Gulf states that sought to contain future uprisings.[257]

Assistance from the Gulf enabled both the Morsi and the Sisi governments to perform along well-established lines, for example by continuing to finance subsidies for energy and bread. Thus the question arises of whether or not Gulf assistance allowed the Egyptian government to avoid reforms that addressed the root causes of the political and social unrest of 2011. Such root causes have been identified for example in the need to provide more and better job opportunities, to offer more democratic participation and secure personal freedoms, to fight corruption, to reform the bloated bureaucracy, and to break the overwhelming economic and political influence of certain economic elites and individuals as well as the military.[258] The answer to this question is complex. As the handling of the uprisings in several other Arab countries has shown, first steps toward reforms were only taken after the situation had calmed down – for which salary increases were introduced in many countries of the region.[259] In retrospect, it was unrealistic to expect Egypt's new leaders to possess sufficient political will or competence to quickly introduce reforms, when these measures were expected both to enrage former elites and power brokers *and* be to the disadvantage of the poor.

A critical assessment of the impact of Gulf state assistance to Egypt also calls for a critical assessment of Western approaches and measures of support, which were intended to foster Egypt's transition to democracy and the market economy. Over time, the political and administrative conditions that went along with most large-scale Western financial pledges fostered the impression among Egyptian decision makers and bureaucrats that these pledges were mainly rhetorical and were never actually going to be disbursed.[260] Unlike the Gulf states, most Western states and donor organizations never really applied their leverage via financial assistance. Furthermore, the coordination among Gulf and Western

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states and donor organizations deteriorated over time, particularly following the removal of Morsi from power. The questions will thus remain open of whether the Gulf states could have been engaged more actively to push for reforms that went beyond mere stabilization and whether they could have been persuaded to moderate their approaches to certain political forces.

The following section outlines the concrete ways in which assistance from the Gulf States had an impact on political and economic developments in Egypt after 2011.

5.2 Impact on Political Developments in Detail

The Muslim Brotherhood was excluded from political participation. The wish of Saudi Arabia and the UAE to politically marginalize the MB coincided with the interests of Egyptian military actors and of those Egyptians who had become increasingly critical of the Morsi government.[261] To them, Saudi and Emirati support for Morsi's removal from power was seen as supporting the political will of the Egyptian majority that wished to free itself from a repressive Islamist regime, even though this did not happen through elections.[262]

Civil-society organizations and political activists were further marginalized. Emirati and Saudi financial and political support for President Sisi's government contributed to a marginalization and repression not only of the MB, but also of civil-society organizations and political activists in general.[263] It helped to re-consolidate the pre-2011 political order – a strong army, marginalized civil society, and lack of political freedoms – even though some of these developments should be seen as unintended, if welcome, side effects instead of an outcome that Gulf assistance directly sought. In any case, further marginalization of political actors left unsolved the problem of restricted political freedoms – one of the root causes of the 2011 uprising.

Gulf assistance undermines President Sisi's political standing. A growing number of Egyptians view Gulf assistance with ambivalence.[264] Sisi is facing criticism from various political and social camps for being a "puppet" of Saudi Arabia and the UAE, with whom his government has to consult on most political decisions.[265] This hurts Sisi's political reputation and his government's image in the Egyptian public and does thus not foster trust in the government.

Dependency on Gulf assistance affects a wide range of Egyptian policies. Sisi's power currently depends on continuous support from the Gulf states. But this support cannot be taken for granted, due to the increasing reluctance of Gulf states to assist Egypt financially in the long term if certain political demands remain unfulfilled.[266] As long as no other donors step in to provide this assistance, the government of President Sisi will be under pressure to conform to new and even more sweeping political demands from the Gulf states. This might also continue to hamper initiatives to integrate the Muslim Brotherhood into political dialogue, unless Saudi Arabia as the leading Gulf power changes its position in this regard.

Saudi support fuels Egyptian fears of "Wahhabization" and widens rifts within Egyptian society. Not only do secular Egyptians fear the influence of Saudi-Wahhabi thinking in general and its influence on Al Azhar university in particular, which contrasts with what is domestically perceived as a more tolerant Egyptian form of Islam. The widespread discourse on the threat of a "Wahhabization" of Egypt is also widening the deep rift within Egyptian society.[267]

5.3 Impact on Economic Developments in Detail

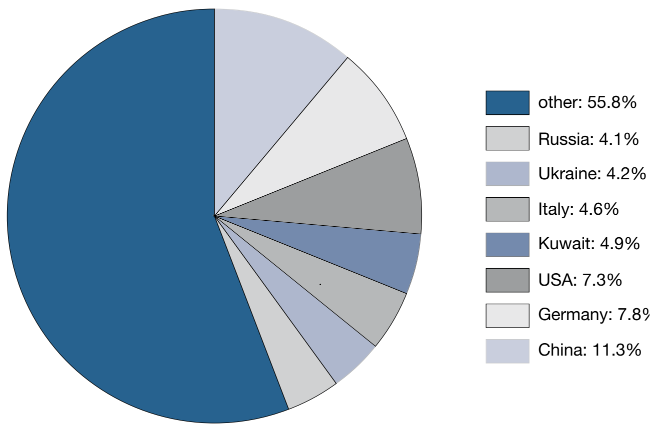
Bilateral financial assistance prevented an economic collapse. Government-to-government financial support from Gulf states to Egypt has helped to balance the budget deficits and substituted for the lack of financial assistance from Western donors and international institutions such as the IMF.[268] Such financial assistance was widely supported by Egyptian elites like the business community, the traditional political elites, and the army, because Gulf assistance helped preserve the existing economic structures. From an Egyptian economic perspective, this assistance was indispensable to overcoming the economic crisis that Egypt faced after 2011.[269]

Gulf business investments are not aimed at inclusive economic growth. In addition to bilateral financial assistance provided by the governments of Saudi Arabia, the UAE, and Qatar, public and private enterprises from these countries made business investments in Egypt. These investments are based on business calculations, not on long-term vision for inclusive economic growth in Egypt.[270] Rather, Gulf businesses seek to secure and enlarge their market shares in Egypt and protect their investments.[271] Given the limited sectors in which Gulf businesses are competitive, Gulf investments are geared toward a small number of sectors only, especially real estate, tourism, energy, agriculture and agribusiness, and transport. Most of these investments currently do not promise to lead to any serious trickle-down effects or major employment opportunities, especially not for better educated Egyptians. Most real estate projects do not benefit the poor, and energy, agriculture, and agribusiness, as well as transport projects are mainly conceived with an eye on expected return on investments for Gulf businesses, thereby benefiting the economic diversification of Gulf economies. While these investments might not directly harm Egyptian interests, most of them are not orientated toward Egyptian goals such as creating jobs or providing more social security. (It is noteworthy, however, that several projects financed by the UAE are specifically designed to cater to the needs of the poor, thereby presenting the UAE not only as an influential power in Egypt but also as a generous partner of the Egyptian people.)

Most business investments from the Gulf are conservative in nature. Business investments from Gulf enterprises are risk-averse when it comes to innovative solutions or know-how based projects. Therefore, Gulf investments are unlikely to trigger developments that could lead Egypt from an agricultural and service-oriented economy toward a know-how-based technological economy. However, significant differences between the Saudi and the UAE approach can be identified. While the Saudi private business community is investing heavily in real estate, agribusiness, tourism, and infrastructure projects, the UAE's state-owned enterprises practice more diversified economic investment. This is also related to sustainable approaches such as support for small and medium-size enterprises, demands for political reforms in order to improve social inclusiveness, and long-term economic development.[272]

Trade and investment relations lack diversity. The general Egyptian perception of Gulf business investments is surprisingly positive.[273] Gulf investments need to be complemented to increase foreign direct investments (FDI), however. There is a growing awareness that although Saudi and UAE investments comprise a significant share of FDI in Egypt in general, Egypt's economy needs to expand and diversify its trade and investment partnerships in order to overcome the dependence on Gulf FDI and to enhance Egypt's economic performance.[274] New partners such as China and Russia are already being approached (see fig. 8).[275] For political reasons, Qatar currently plays a rather marginal role as a potential investor, although it continues to pursue a number of financially rewarding projects, especially in real estate and banking.[276]

Figure 8: Egypt's main trade partners in 2014 (in %)



Source: Germany Trade and Invest, "Wirtschaftsdaten kompakt: Ägypten," May 2015

Notes to Chapter Two

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3 Based on interviews the authors conducted in Egypt, October 2013.

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6 Haykel, "Afterword," in *Saudi Arabia in Transition*, p. 333.

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107 Interview in Riyadh, December 15, 2014.
108 Ibid.
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110 Abdulkhaleq Abdulla as quoted in Biedermann, "Widening Gulf," p. 32, and Farouk, "More than Money," p. 18.
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115 "Stability or Democracy" video (see previous note).
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131 Koch, "Vereinigte Arabische Emirate," p. 149.
132 Hanieh, *Lineages of Revolt*, pp. 140–41.
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134 Momani, "Shifting Gulf Arab Investments," pp. 171–77; Farouk, "More than Money," pp. 15–16.

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136 Young, *The Political Economy of Energy,* p. 55.
137 For the various estimates quoted in the literature see *Hanieh, Lineages of Revolt,* p. 137, and Momani, “Shifting Gulf Arab Investments,” pp. 167–68.
138 See Hanieh, *Lineages of Revolt,* pp. 137–42. He claims that in terms of project value, fully owned Gulf real estate projects constituted just under 80%nof the value of all real estate projects under development in Egypt in early 2012. Gulf investors were involved in just over 22% of all privatization deals recorded by the World Bank for Egypt in 2000–08, representing ca. 37% of the value of all privatization over that period. UAE finance was also involved in Egyptian companies like SODIC, which was responsible for building Sixth of October City and had been acquired by EFG Hermes, in which UAE investment funds had a decisive stake.
139 Abu Dhabi Fund for Development, Annual Report 2013, p. 19.
140 Hanieh, *Lineages of Revolt,* pp. 137–38.
141 Harrigan, *Arab Food Sovereignty,* p. 142. She also cites Jannat as a UAE based company with large projects in Egypt (p. 133), but Jannat seems to be primarily Saudi-owned.
142 Hanieh, *Lineages of Revolt,* p. 140.
143 Ibid.
144 Ibid., pp. 140–141.
145 For example, the UAE has invested in the Commercial International Bank, the National Bank for Development, and the Société Arabe Internationale de Banque, while other banks are at least partially owned by investment funds from other Gulf states, see Hanieh, Capitalism and Class, pp. 156–57.
146 Abu Dhabi Fund for Development, Annual Report 2012, p. 35.
147 Burke and Bazoobandi, “The Gulf Takes Charge,” p. 31.
148 Hanieh, *Lineages of Revolt,* pp. 137–42; Hertog, “Introduction” to *Business Politics in the Middle East,* p. 14.
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150 See UAE Office for the Coordination of Foreign Aid, United Arab Emirates Foreign Aid 2011, p. 36, p. 104, and UAE Ministry of International Cooperation and Development, “United Arab Emirates Foreign Aid” 2012, p. 41.
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152 Based on interviews in Egypt in October 2012.
153 UAE, “Foreign Assistance Program to Egypt,” p. 8.
154 See “Mohammed bin Rashid Announces US$4b Emirati Support to Egypt,” WAM Emirates News Agency, March 13, 2015 <https://www.wam.ae/en/news/emirates-arab-international/1395277882869.html> (accessed June 4, 2015).
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156 Farouk, “More than Money,” pp. 10–11; UAE Ministry of International Cooperation, “UAE Foreign Aid 2013,” pp. 38–39.
157 UAE Ministry of International Cooperation, “UAE Foreign Aid 2013,” pp. 38–39.
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162 UAE, “Foreign Assistance Program to Egypt,” p. 8.
163 Ibid., p.16, p. 22.
164 Ibid., p. 24.
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166 LeBaron, “Egypt, not Syria” (blog) (see note 110).
167 Ashour, “Collusion to Crackdown,” pp. 1–2.
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170 See UAE, “Foreign Assistance Program to Egypt,” p. 6 and “UAE Leadership Backs Egypt,” *Gulf News,* March 14, 2015 (see note 148).
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172 However, during an investment conference held in Abu Dhabi in November 2014, Egyptian governmental representatives argued that catering to the middle class would relieve also stress on the housing sector for the poor.
173 See UAE, “Foreign Assistance Program to Egypt,” p. 20.
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179 Ibid. Also based on interviews in Abu Dhabi in December 2014.
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192 Farouk, “More than Money,” pp. 18–19.
193 Asim and Al-Aswad, “SWFs and Egypt,” pp. 2–3.
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195 Koch, “Vereinigte Arabische Emirate,” p. 149.
196 LeBaron, “Egypt, not Syria” (see note 110).
197 Based on interviews in Egypt in February 2015.
198 Based on interviews in Egypt in February 2015. See also “Stability or Democracy” video (see note 101).
199 Kamrava, *Qatar: Small State,* p. 171.
200 Coates Ulrichsen, *Qatar and the Arab Spring,* pp. 105–06.
201 Roberts, “Qatar and the Muslim Brotherhood,” *Middle East Policy* 21, p. 84; See also Roberts, “Qatar and the Brotherhood,” *Survival* 56, p. 26; Hammond, “Qatar’s Leadership,” p. 2. See also Zahra Babar, “Working for the Neighbors: Arab Migrants in Qatar,” video of CIRS Monthly Dialogue held at Georgetown University, School of Foreign Service in Qatar, December 11, 2013 <https://www.youtube.com/watch?v=tiSBi1yzk4g/> (accessed June 4, 2015).
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203 Coates Ulrichsen, *Qatar and the Arab Spring,* p. 8.
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Chapter Three
Tunisia after 2011: The Impact of Gulf State Engagement

1. Gulf Support for Tunisia prior to 2011

There were a number of root causes of the Tunisian uprising of 2011. These included low economic performance in general (see fig. 1), high unemployment (figs. 6 and 9) and corruption, pronounced dependency on migrant workers' remittances (fig. 5), on revenues from tourism (fig. 10), and on foreign direct investment (FDI) in the energy sector (figs. 7, 8, 11), and the failure of the economy to create jobs that matched the aspirations, needs, and skills of the growing number of educated youth. Economic opportunities were largely geographically confined to the coast and thereby prevented relevant parts of the population from sharing the benefits of economic growth. In addition, an inefficient state subsidy policy did not solve the imbalance of job opportunities and economic productivity between the coastal areas and the rural hinterland.[1] According to the World Bank, "Tunisia was unable to advance beyond the low-skill, low-wage economy because it did not in fact open up its economy (to domestic investors, as well as internationally) and did not change the underlying state-controlled economic model. It was this lack of change, in the face of the demographic time bomb of educated youth, which rendered the economic model increasingly inadequate."[2]

Prior to the uprising in 2011, the Gulf states focused their official financial support for Tunisia on energy and transport-related infrastructure projects, financed through loans provided by bilateral and multilateral Arab development funds. Because it was perceived as a middle-income country, Tunisia did not receive financial grants from Gulf states in relevant amounts.[3] Thus, Gulf investments only played a minimal role in creating new job opportunities for Tunisian youth and in assisting the country in overcoming the fundamental economic crisis it had suffered from since the 1990s. Furthermore, economic investments from Gulf states in Tunisia had been limited in the past due to the closed and highly state-controlled nature of the Tunisian market, its "narrow strategic significance," and the domination of European investors (see figs. 2–4).[4] Unlike most European businesses, Gulf investors were not and are not active in Tunisia's offshore sectors.

Development assistance provided to Tunisia was hindered by the fact that coordination between Western and Gulf Arab donors was and continues to be a challenge. This is because Gulf Arab donor organizations have no local presence and are thus not able to attend regular coordination meetings. Their embassies do not engage in coordination work.[5]

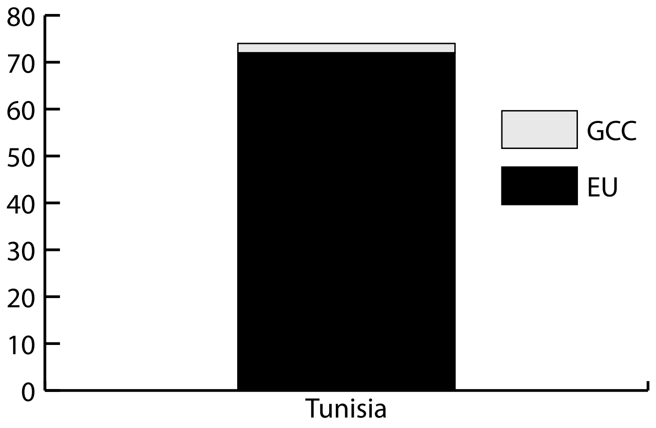
On a political and societal level, fears of political influence from the Gulf countries started to emerge within Tunisia prior to the 2011 uprisings, when the share of Gulf investments began to rise. The UAE and Qatar in particular started to invest in real estate and the telecommunication sector during President Zine el-Din Ben Ali's last years in office. After his removal from power, these projects were put on hold or cancelled. Nevertheless, most Tunisians remember them vividly because they caused fears within the population of a "Gulf buy-out" of Tunisia.[6] This shows that Tunisian concerns about the growing influence of Gulf states on the country were already circulating before 2011. However, foreign funding from Gulf states for political parties was non-existent (because illegal) and Gulf funding for NGOs was minimal prior to the uprisings (also because their activities were limited by law to social and cultural issues).[7]

In a regional context, Tunisia served as a gateway to Libya under UN and US sanctions when Gulf states started to invest in Libya over the past decade. Today Tunisia serves as a "safe haven" for Libyan political and militant players who are receiving support from different Gulf states. Thus, "competition between the UAE and Qatar led to continued support of both states to opposing sides, with Qatar supporting Misrata and the Islamists, and the UAE supporting the anti-Islamist current" under the leadership of General Khalifa al-Haftar.[8]

Figure 1: Tunisian Gross Domestic Product (2005–15)

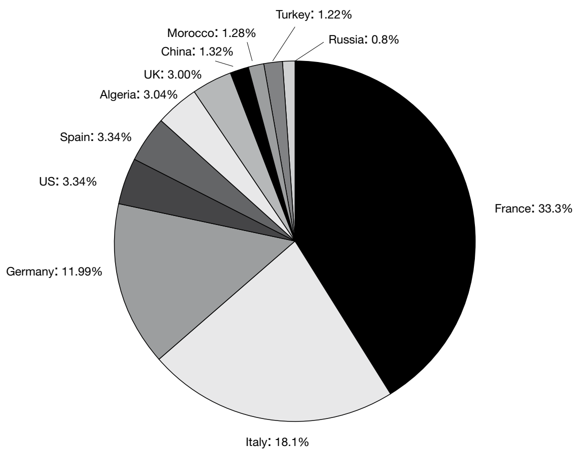
Source: The World Bank, *Global Economic Prospects*, August 2015, http://databank.worldbank.org/data/reports.aspx?source=global-economic-prospects# (accessed August 3, 2015)

Figure 2: Share of exports to Gulf Cooperation Council (GCC) countries and Euro-Area countries, 2013



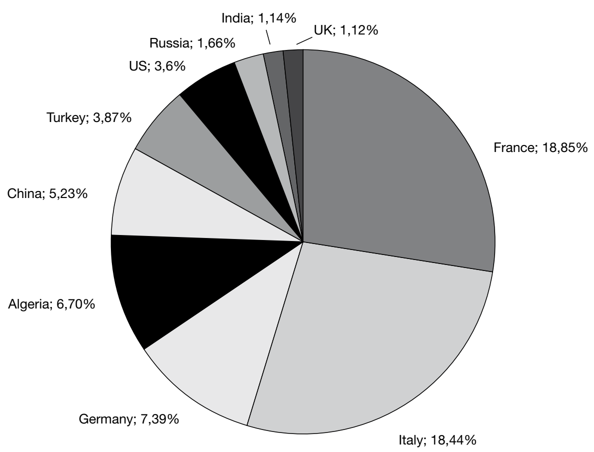
Source: The World Bank, Global Economic Prospects Middle East and North Africa, June 2015, http://www.worldbank.org/content/dam/Worldbank/GEP/GEP2015b/Global-Economic-Prospects-June-2015-Middle-East-and-North-Africa-analysis.pdf (accessed August 3, 2015)

Figure 3: Export by leading destination in 2014



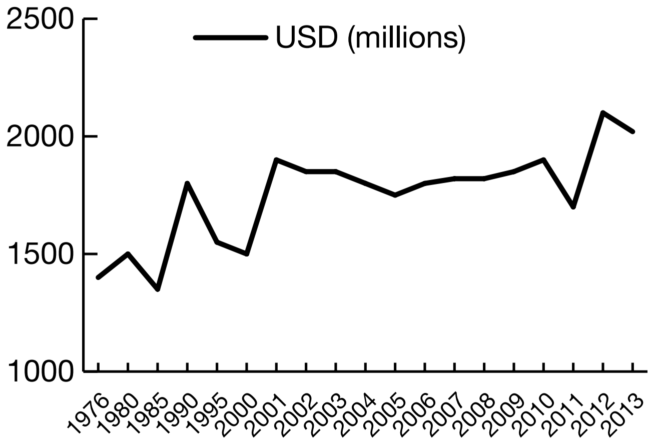
Source: International Trade Centre, General Trade Performance: Tunisia, http://www.intracen.org/country/Tunisia/General-Trade-Performance/ (accessed August 3, 2015)

Figure 4: Import by leading destination in 2014



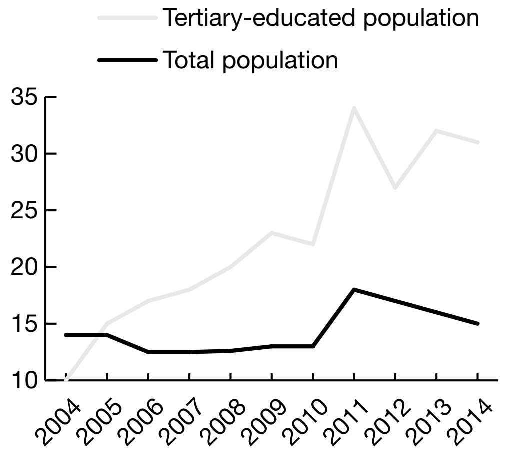
Source: International Trade Centre, General Trade Performance: Tunisia, http://www.intracen.org/country/Tunisia/General-Trade-Performance/ (accessed August 3, 2015)

Figure 5: Annual officially recorded remittances to Tunisia, 1976–2013



Source: Katharina Natter, *Revolution and Political Transition in Tunisia: A Migration Game Changer?* Migration Policy Institute, May 28, 2015, http://www.migrationpolicy.org/article/revolution-and-political-transition-tunisia-migration-game-changer (accessed August 3, 2015)

Figure 6: Tunisian unemployment rate in active population, 2004-14 (in percent)



Source: Katharina Natter, *Revolution and Political Transition in Tunisia: A Migration Game Changer?* Migration Policy Institute, May 28, 2015, http://www.migrationpolicy.org/article/revolution-and-political-transition-tunisia-migration-game-changer (accessed August 3, 2015)

Figure 7: Average percentage of FDI by sector in Tunisia, 2006–2012

Manufacturing industry	25.7%
Energy	60.7%
Tourism and Housing	3.5%
Agriculture	0.5%
Services	9.9%

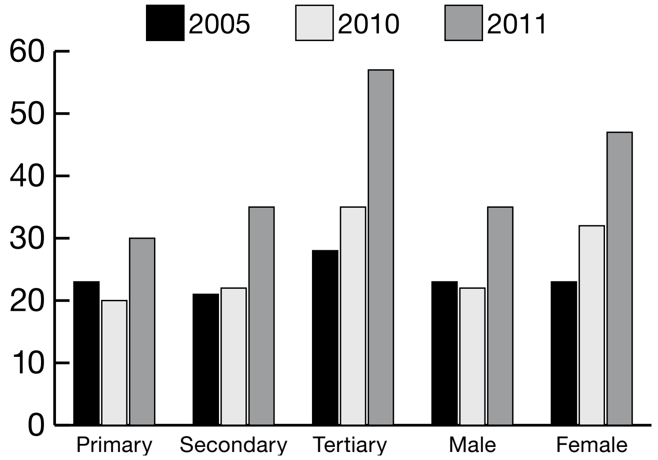
Source: The World Bank, "The Unfinished Revolution. Bringing Opportunity, Good Jobs And Greater Wealth To All Tunisians," *Development Policy Review*, May 2014, p. 37

Figure 8: Average percentage of FDI by industrial sector in Tunisia, 2006–12

Various Industries	6.0%
Agro-food	5.5%
Construction materials	16.0%
Mechanical, electrical, and electronic	28.6%
Chemical and rubber	21.7%
Textiles and garments	11.7%
Leather and shoes	4.9%
Plastics	6.7%

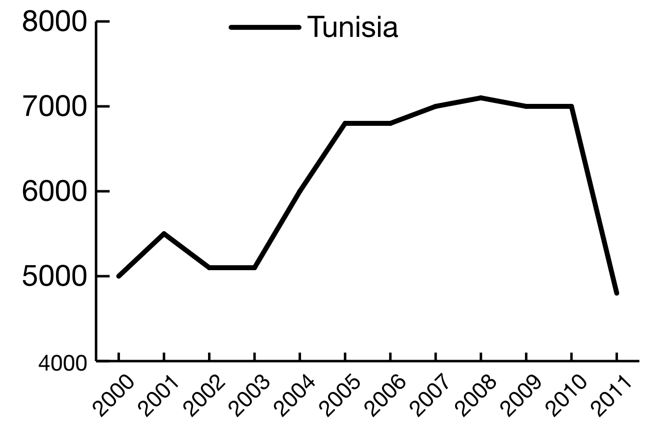
Source: The World Bank, "The Unfinished Revolution. Bringing Opportunity, Good Jobs And Greater Wealth To All Tunisians," *Development Policy Review*, May 2014, p. 37

Figure 9: Unemployment rates among Tunisian youth, aged 15 to 29, in 2005, 2010, and 2011 (in percent)



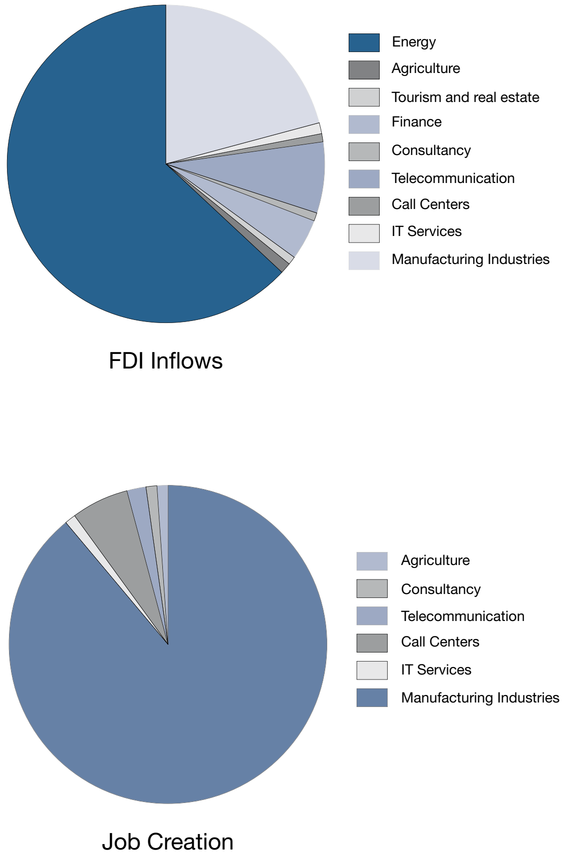
Source: The World Bank, "The Unfinished Revolution. Bringing Opportunity, Good Jobs And Greater Wealth To All Tunisians," *Development Policy Review*, May 2014, p. 39

Figure 10: Tourism receipts and arrivals, 2000–11



Source: The World Bank, "The Unfinished Revolution. Bringing Opportunity, Good Jobs And Greater Wealth To All Tunisians," *Development Policy Review*, May 2014, p. 92

Figure 11: Distribution by sector of FDI inflows and job creation in Tunisia in 2012



Source: The World Bank, "The Unfinished Revolution. Bringing Opportunity, Good Jobs And Greater Wealth To All Tunisians," *Development Policy Review*, May 2014, p. 248

2. Saudi Arabia and Tunisia after 2011: Interests, Efforts, and Future Prospects

Saudi Arabia's former government under the late King Abdullah was concerned by the fall of Ben Ali in 2011. In recent decades Ben Ali had served as a strategic ally for Saudi Arabia, as a partner in the fight against terrorism, in securing North African stability, and in countering Iranian influence in the region. In political and economic terms, however, Tunisia has been far less important than Egypt to Saudi Arabia.[9] Although Ben Ali was a trusted friend to Abdullah (who died in 2015) and to the former Minister of Interior Prince Nayif bin Abdulaziz (who died in 2012) – and although he found asylum in Saudi Arabia after his ouster in spring 2011 – Saudi Arabia did not criticize the Tunisian uprisings in the same harsh terms it used to condemn those in Egypt. Vice versa, the matter of Ben Ali's Saudi asylum has not become an issue for Tunisian interlocutors, nor has it fed political tension between Tunisia and Saudi Arabia. In fact, many Tunisians might not object to Ben Ali's return, as feelings are on the rise that the upheaval did nothing to improve the economic and security situation. Even the subject of the recovery of assets and funds embezzled by Ben Ali and his in-laws does not figure prominently when the Saudi role for Tunisia's state budget is discussed.[10]

2.1 Saudi Interests in Tunisia after 2011

While the Egyptian Muslim Brotherhood (MB) was perceived as a real threat to Saudi Arabia's political stability and the royal family's legitimacy, Tunisia's Ennahda party – itself an ideological cousin of the Egyptian MB – has shown more pragmatism and an inclusive approach toward non-Islamist party rivals. This made it less threatening to Saudi leaders.[11] Unlike the administration of Mohamed Morsi in Egypt, which stirred up Saudi animosity by initiating a cautious rapprochement with Iran between 2012 and 2013, Tunisia's various governments did not reach out to Iran. Tunisia has thus remained an important part of the Saudi government's strategy in fighting Iran – an effort in which it considers Algeria and Egypt to be important allies. In this regard, Ennahda had the advantage of learning from the mistakes made by Egyptian Islamists. Instead of implementing a Morsi-style "winner-takes-all" policy after winning the elections, the party's leaders fostered an inclusive strategy, integrating all important political decision makers into its government. Especially after Morsi's fall, Ennahda became concerned that it would be excluded from the political scene if it did not adapt to the Tunisian political culture of inclusion and constructive dialogue.[12]

This more pragmatic and integrative course coincided with the Saudi assessment that a successful Islamist government in Tunisia would not cause spillover effects, threaten the monarchy's legitimacy, or destabilize Saudi regional supremacy. There were no worries that the Tunisian democratic model could influence political aspirations and developments in any other Arab countries, especially as several Tunisian political actors (including Ennahda) have proven their capacities for reconciliation and compromise since 2011. As a former Tunisian politician put it in an interview, "we have to stand together" in times of crisis.[13]

To consolidate this impression, the current government led by the Nidaa Tunes party has chosen to pursue different arguments to convince its European and Gulf partners of its legitimacy. As one Tunisian politician put it, "In our dialogue with the Gulf we do not use the same words as [we do] with Europe, e.g. 'Tunisia as the democratic exception' in an autocratic Middle East. Instead, we speak of 'our democratic approach, which we do not wish to export.'"[14] This is presumably to appease Gulf concerns regarding an export of Islamist ideology.

On an economic level, there are no major Saudi stakes in the Tunisian economy that would need to be protected against economic instability. Unlike Egypt, Tunisia is perceived as "far away" – and as "part of Europe," being also considered "a European problem" from a Saudi economic perspective when it comes to business activities.[15] The Saudi business community's presence in the Tunisian market is comparatively invisible. Bilateral networks are not well established, and interest in market entry is noticeably low. This is due to the fact that Saudi Arabian private companies regard the Tunisian market as less attractive due to its small size and the domination of European companies compared to other North African countries such as Egypt. While Tunisia's economy is mostly based on industries, low-price tourism, and the service sector, Saudi Arabia's business community is rather interested in investments in real estate, infrastructure, and the energy sector. Therefore, large margins of return on investment are not guaranteed in Tunisia, which has prevented large-scale Saudi investment in the past.

From a Tunisian perspective, however, FDI from the Gulf is perceived as necessary. Economic decision makers are aware of the urgent need for economic diversification in order to overcome the strong dependence on the EU as the main trade partner, which has negatively affected domestic economic growth in recent years. However, the highly bureaucratized Tunisian administration and the insecure legal and political framework since 2011 have kept risk-averse Saudi investors away from the Tunisian

Figure 12: Saudi Arabian Projects in Tunisia in the power and water sector

Project Name	Sub sector	Net project value (in million USD)	Award year	Completion year
La Skhira Sufuric Acid	Fertilizer Plant	173	2008	2011
Tyna Power Plant	Oil/Gas Power Plant	92	2007	2012
Sud Meliane II	Water Treatment Plant	34	2004	2008
Feriana Power Plant	Oil/Gas Power Plant	92	2007	2012

Source: MEED Projects 2014

market. As one Tunisian opposition politician put it, they "do not want to obey to the rules and do not want to be bothered by administrative bureaucracy." Furthermore, "Gulf states want to implement their projects really fast, while the Tunisian administration is inefficient, which hampers timely implementation to some extent." Thus, doing business with Gulf states is a "totally different story." Furthermore, Tunisian decision makers have clearly signaled that they are not willing to grant Saudi business partners preferential treatment when it comes to easy market access, for increasing Saudi investment on a low level could go hand in hand with a tremendous rise in political influence, which is undesirable on the Tunisian side.[16]

2.2 Saudi Efforts in Tunisia after 2011

Saudi Arabia's engagement in Tunisia since 2011 has encompassed religious, economic, and political dimensions.

1) *Religious influence and the public's perception thereof:* The ambivalent perception of Saudi engagement in Tunisia is also based on the increased influence of religious Wahhabi and Salafi prayers in Tunisia since 2011.[17] Saudi Arabia and other Gulf states are perceived by the public as being mainly responsible for this negative ideological impact on the political transition process. Especially under the government of Ennahda, the idea of the spread of Salafism across the country was at the center of controversy.[18] Mosques and kindergartens have been accused of hiring Arab preachers from the Gulf who have set up Salafi-based curricula, fostered pro-Wahhabi ideology in their sermons, and established close ties to famous Tunisian Salafi preachers like Khatib Idrissi.[19] Furthermore, Tunisian Salafi preachers have been educated in Saudi Arabia's mosques and religious universities such as the Islamic University in Medina.[20] Mosques, other institutions, and individuals have not been under the control of the Tunisian authorities under the Ennahda government. This has created a vacuum of state influence and fostered pro-Salafi activities within rural areas of the country. In 2014, around 150 of Tunisia's 5,100 mosques were beyond the state's control, and 50 of them were controlled by radical imams.[21] After a widespread crackdown campaign by the state, it is said that only 14 mosques remained under the influence of non-state controlled imams.[22]

Despite Tunisian allegations of strong Saudi involvement in the "Salafization" process in recent years, no direct impact of Saudi government financing of religious institutions such as charities and mosques can be substantiated – although private businessmen or religious leaders are presumably channeling money for Salafi groups via Muslim charities and humanitarian organizations.[23] In addition, Saudi Arabia has not officially supported the Tunisian Salafi Hizb al-Tahrir. Nonetheless, in Tunisian public discourse, Saudi Arabia has been blamed for sowing anti-democratic and even radical opinions within the Tunisian population since Ben Ali's removal from power – although, as one political observer stated, "Tunisia forgot about Wahhabism" after the assassinations of both opposition politicians, Mohamed Brahmi and Chokri Belaid, and after Qatari leadership changed in 2013.[24] Instead, Qatar alone, with its supposed links to Ennahda was blamed for everything, whereas Saudi Arabia has been "treated more softly."[25] This can also be attributed to the positive image of Saudi Arabia as the "custodian of the two Holy Shrines," Mecca and Medina. Every year, between eight and ten thousand Tunisian pilgrims are permitted to visit Saudi Arabia.[26] These factors may have contributed to softening initial criticism.

Furthermore, public discourse about the Gulf states in Tunisia generally does not differentiate between Wahhabism and other Islamist tendencies. Noteworthy in this regard is a story that circulated about an alleged Saudi Salafi preacher who denounced the Tunisian "way of laicism" and demanded circumcision for Tunisian girls while touring Tunisia. This was surprising given that Saudi Wahhabism typically condemns female genital mutilation. In fact, the preacher, Wajdi Ghanim, was not of Saudi origin but a famous Egyptian TV cleric.[27] This example shows that knowledge about the different currents of Wahhabism as a political and Islamist ideology is very limited – at least among secular Tunisians. This further fuels the politicization of activities of Islamic charities. But it also causes many Tunisians – even in more educated circles – to miss the deep political and religious differences between Saudi Arabia and the other Gulf states. Today, rumors about Saudi Arabia's negative impact on the Tunisian transition process and the country's "Salafization" are commonplace in the Tunisian business and political elite and are thus part of a "phenomenon of perception" rather than a reality.[28]

2) *Economic efforts:* The economic efforts of Saudi Arabian businesses have remained limited in Tunisia since 2011. The major contracts were awarded under Ben Ali: a total of 391 million USD in 2014 invested in four projects in the power and water sector (fig. 12, p. 54).

In addition, 39 Saudi companies with a total of 6,184 employees have been active on the Tunisian market with FDI of 283 million USD in 2013 in the agriculture, industrial, service, and tourism sector (fig. 13, p. 56).[29] More than one fifth of the workforce employed in Saudi companies works in the chemical sector with a FDI volume of 18 million USD. This is followed by 991 workers in the construction material industry with a total FDI volume of 35 million. In total, 3,100 foreign companies are present in Tunisia (including 1,200 from France, 500–600 from Italy, 350 from Germany, 80 from UK, 80 from The Netherlands, and 65 from the US) with an investment volume of 14 billion EUR.[30]

Figure 13: Saudi Arabia's economic activities in Tunisia by sector

Sector	Number of companies	FDI in million USD	Employees
Agriculture	2	3.91	35
Aquaculture	1	0.97	41
Agriculture services	1	2.00	20
Agribusiness	3	1.78	32
Chemical	4	18.03	1,139
Electronic	1	1.06	372
Pharmaceutical Industry[31]	1	2.16	362
Construction material sector	3	35.24	991
Mechanical sector	2	27.41	382

Source: Foreign Investment Promotion Agency 2013

Since 2011, several Saudi Arabian companies have announced their intent to intensify their investments in Tunisia especially in the real estate and power sector. However, none of these projects has been implemented so far. In this regard, the most ambitious announcement was made by the Saudi company Hesham bin Abdulaziz Almousa Group from Riyadh, together with 50–60 Tunisian and other Arab and international partners. These wanted to invest 118 billion USD in the Tunis Economic City in the Enfidha district near Sousse and Hammamet, which was predicted to help to attract Arab investors and contribute to the development of such sectors as tourism, finance, and healthcare.[32] The city plan contains a port zone, an industrial and warehouse zone, and a free trade zone. Officially, the project aims to attract 5–7 billion USD in investments per year and two million visitors per annum by 2030. Its construction phase will extend over a period of 15 years and will contribute to the creation of at least 200,000 direct and indirect jobs. The city will cover a surface area of 90 square kilometers and will run along 18 kilometers of coastline. It will consist of 14 smart zones, four economic centers (tourist, academic, health and commercial) in addition to residential areas.[33] In 2011, the project was initiated by the Saudi Prince Fahd bin Muqrin bin Abdulaziz Al Saud, a Saudi businessman and son of the former Crown Prince Muqrin bin Abdulaziz.[34] However, the start of the project was delayed due to the fragile political and economic situation in Tunisia after 2013, and it seems unrealistic that the ambitious vision will be realized on schedule, if at all. In addition to Tunis Economic City, a Saudi investment fund is said to be involved in financing the 210-km gas pipeline Tunis-Béja-Jandouba-Dahmani with a project volume of roughly 78 million USD. This was planned to be complete at the end of 2015.[35] However, more information about the concrete Saudi financial involvement is lacking.

In recent years, Saudi investors have sought to invest in such mega projects rather than in sustainable medium-sized projects that are adapted to Tunisian economic needs. According to one Tunisian interlocutor, "Gulf investors do not take into consideration the reality."[36] Only one Saudi-initiated mega project in the real estate sector has been successfully implemented: the construction, under Ben Ali, of the new district of Tunis, Berges du Lac, and the rehabilitation of the lake Lac du Tunis, financed by the Saudi business mogul Salih Kamil. Both projects started in 1985 and were administered by the Saudi-Tunisian company La Société de Promotion du Lac de Tunis (SPLT).[37] However, this Saudi-initiated project caused tremendous controversy in Tunis, as a ban on alcohol was introduced at Saudi demand. This further damaged the public image of Saudi Arabian investors among parts of the secular population of Tunis. As one Tunisian put it, Saudi "investments as such might not be harmful, but they come with conditions attached." [38] With regard to their competitors, the ban on alcohol has also negatively affected the local restaurants and bars.

In the agricultural sector, Saudi investments remain minimal because Tunisia only rents instead of selling land to foreign investors. This has prevented Gulf investment in recent years. In addition, Tunisia's agriculture is dominated by the cultivation of olives, dates, and wine, products that do not serve Saudi Arabia's import interests. Closely linked institutional networks are missing, and Saudi Arabia's business community and Tunisia's investment promoting agencies often lack detailed information about possible opportunities for bilateral cooperation. While a Saudi-Tunisian Business Council and a bilateral development bank do exist, their activities to foster Saudi investment remain significantly low.[39]

3) Political efforts: Unlike Egypt, Tunisia has received only minimal financial support from Saudi Arabia in comparison to international donors and European countries. Roughly 120 million USD per year in the form of

loans have been provided since Ben Ali's removal, mostly by the Saudi Fund for Development (SFD), while in 2015 an additional 500 million will be spent for the last time.[40] Only a few official visits from Saudi political representatives have taken place in recent years.[41]
The Saudi leadership is cautiously watching the deteriorating situation in Tunisia due to increasing jihadism and radicalism, however.[42] The situation at the Libyan border in particular has caused widespread discussion of Tunisia's future stability.[43] Approximately 1,000 Tunisians are fighting in Libya,[44] additional 1,500-3,000 have been recruited by ISIS,[45] and 600 Tunisian jihadists have returned home from Iraq and Syria.[46] In addition, 7,000 Tunisians have been prevented from leaving the country to join fighting in Iraq and Syria. Thus, Tunisian security experts estimate the number of possible supporters of jihadi ideology at about 100,000, which would mean ten percent of the total population.[47] The terrorist attacks on the Bardo Museum in March and on a hotel resort in Sousse in June 2015 dramatically showed the fragility of the domestic security situation.

2.3 Future Prospects of the Saudi-Tunisian Relationship

Tunisia is of limited geostrategic relevance to Saudia Arabia. On a political level, Saudi engagement is likely to remain limited unless the situation in – and, more importantly, around – Tunisia changes in any (unforeseen and maybe unlikely) way that makes Saudi political or even military intervention necessary to protect Saudi interests. As the new King Salman has shown in Yemen, his foreign policy is based on ad hoc actions toward acute hot spots nearby, whereas Tunisia seems to be beyond the Saudi scope. The strong role that Tunisian jihadists play in countries like Syria is not yet an issue that has triggered a Saudi response.

However, the more the situation in Tunisia deteriorates, the more Saudi Arabia's new King Salman may consider additional financial or logistical support in order to stabilize Tunisia, secure the border to Libya, and prevent Tunisian jihadists from entering Saudi Arabia.[48] In this regard, Tunisia needs support in securing its borders and in creating jobs in rural areas and along the border. Both could become future fields of Saudi-Tunisian cooperation.

Tunisia is of limited economic relevance to Saudia Arabia. From an economic perspective, Saudi Arabia's business activities in Tunisia will not increase extensively in the future. This is due to the absence of investment opportunities as well as to cultural reservations and bureaucratic reluctance on the Tunisian side. Albeit on a small scale, Saudi companies might engage more intensively in the mid and long term. The new Tunisian government is in strong need of additional FDI and is thus working on improving the investment climate for foreign partners. In this context, an investment conference entitled "Invest in Tunisia" took place in Tunis in November 2014. Some 22 projects were presented to European, Arab, and multilateral donors. However, the follow-up remained limited, and Gulf partners showed reluctance for increased engagement because Tunisia's interim government was not considered a reliable partner. After the victory of Nidaa Tunes and the completion of the political transition process in spring 2015, Tunisia is again organizing an investment conference at the end of 2015 in order to present tenders for projects in all sectors aiming at attracting international investors.

However, it remains to be seen whether the new Tunisian government is willing to design special concepts and strategies to attract FDI from Saudi Arabia. This would entail a more investment-friendly and sensitive approach to the Gulf state similar to Lebanon's approach. In this case Saudi Arabia might change its economic policies toward Tunisia. Lobbying must therefore be concentrated on the political players within the kingdom to present Tunisia as a hub connectning Saudi companies to Africa and Europe. This could be fostered by bilateral institutions, chambers of commerce, and even the embassies. If the generational shift within Saudi Arabia's political and economic elite takes place quickly, there is a chance that bilateral business relations might advance, for both sides share a similar mindset on economic progress and "the American way." Both new generations have been educated in the US or in European countries and are thus more globalized than previous generations.[49]

Saudia Arabia has limited understanding of Tunisia's multifaceted political culture. Saudi Arabia's political decision makers have little understanding of or trust in the Tunisian democratic and institutional structures, which are evolving as part of the Tunisian transition process. They are consequently grappling to identify potential religious, political, and economic partners with whom they can cooperate, which hampers the development of a concerted policy approach to the country.[50]

At the same time Tunisian political and economic players face domestic challenges, including widespread cultural prejudices against Saudi Arabia. These need to be overcome if closer cooperation with Saudi Arabia is to take place. A lack of insight among Tunisian policy makers and bureaucrats into Saudi decision-making processes further contributes to this problem.

3. The United Arab Emirates and Tunisia after 2011: Interests, Efforts, and Future Prospects

Relations between Tunisia and the UAE prior to 2011 were good, but they were neither particularly close nor of strategic importance for either side. Bilateral trade had been limited, but it increased during the last years of the Ben Ali government. Between 2009 and 2010 alone, there was a growth in non-oil trade of 69 percent from 68 million USD in 2009 to (still very modest) 153 million in 2010.[51] During those years, a number of major real-estate projects had also been agreed upon that have never, however, been implemented. While the global financial crisis caused the first delay, most projects were eventually cancelled or put on hold after the 2011 uprisings due to pending legal cases against these contracts. The planned investments of 25 billion USD in the Mediterranean Gate Real Estate Project (widely known as "Sama Dubai"), of 5 billion in Tunis City of Sport, and of 1.9 billion in a tourism project in Marina al-Qussor are vividly remembered in Tunisia and are largely responsible for fueling the popular feeling of a "Gulf buy-out of Tunisia" that had spread during those years.[52]

On the other side of the relationship, there seems to be no precise information available about the number of Tunisians living and working in the UAE nor about the volume of remittances, but Tunisian interview partners have argued that the UAE has attracted a large number of Tunisian engineers and similar academically trained people who have not shown inclinations toward political activities in the UAE.[53]

3.1. Emirati Interests in Tunisia after 2011

The UAE's engagement in Tunisia seems to be guided mainly by political interests pertaining to the wider Arab region. Since it has no major financial investments in Tunisia, the UAE is not overly concerned about the stability of the Tunisian economy, which is in stark contrast to the rationale of the UAE's engagement in Egypt. The UAE's economic interests are more geared toward Libya, for which Tunisia serves as a political and geographic gateway. Similarly, the UAE is less concerned about instability in Tunisia than about the spillover effects of the Libyan conflict, where the UAE supports the camp of General Khalifa Al-Haftar.[54]

The UAE's main interests in Tunisia relate to its fight against terrorism and the spread of political Islam. While the Ennahda party is not perceived as following the same transnational agenda as the MB in Egypt, the UAE is still interested in limiting its political influence. This should, however, also be seen as an expression of the UAE's interest in weakening Qatar's political role in the region, thereby strengthening its own role and image as a regional power.

3.2. Emirati Efforts in Tunisia after 2011

Emirati efforts in Tunisia since 2011 have been most pronounced in 1) security sector cooperation and 2) mainly rhetorical support for those representatives of Nidaa Tounes like Beji Caid Essebsi. Unlike its engagement in Egypt, the UAE has not provided macroeconomic support for Tunisia's economic stabilization in the form of loans or grants, presumably because the UAE did not fear major spillover effects from Tunisia on the wider region and expected European countries to take the lead in stabilizing Tunisia economically.[55] Other efforts such as 3) business investments and 4) financial assistance for development and humanitarian causes have in fact been extremely limited. Tunisians see the comparatively small scale of support as proof that there is no political will in the UAE to help Tunisia.[56]

1) Material and political support in the fight against terrorism: The UAE is providing support to Tunisia to fight terrorist activities inside the country and to secure the Libyan-Tunisian border against the influx of militant Islamists and weapons. Personal links and cooperation between the UAE and Tunisian security apparatuses are said to be strong.[57] This is expressed in the loan of a dozen Black Hawk helicopters to Tunisia, which will last until the country receives new helicopters from the US in 2016.[58] Moreover, the UAE is said to have financed Tunisian purchases of French military equipment in much the same way it participated in trilateral deals involving the UAE, France, and Egypt.[59] Support for the Tunisian fight against jihadi movement terrorism is also expressed symbolically, as could be seen in the participation of a UAE delegation led by the UAE minister of youth and culture, Sheikh Nahyan bin Mubarak Al Nahyan, in the demonstration in Tunis after the attacks on the Bardo Museum in March 2015.[60] The UAE portrays itself through such measures as a reliable partner of the new Tunisian government. Stressing that it shares Tunisia's political concerns over terrorism and Islamist extremism, the UAE also uses activities in this policy field to contrast itself with Qatar.

2) Support for Nidaa Tounes and its representatives: With regard to Tunisian political parties, the UAE seems to have focused its attention on Nidaa Tounes, with whom it shares a number of foreign policy concerns. As Youssef Cherif argues, "Nidaa leaders, in their animosity toward Ennahda, have willingly entered the Emirati axis – joining anti-Islamist forces such as Egypt's Sisi and Libya's General Khalifa Haftar – to counter the Qatari-Ennahda alliance."[61] It is important to note, however, that a relevant number of Nidaa Tounes representatives favor a different approach to Libya, causing serious rifts inside the party.[62] The need to balance these different interests inside the party are reflected in a remark by a high-ranking party official who said: "Our best friend are the Emiratis, but our direct neighbor [Libya'] is supported by Qatar."[63] The UAE seems to have placed particular trust in Beji Caid Essebsi, with whom UAE leaders enjoyed close personal relations because he had allowed Emirati (and Qatari) weapons to be shipped to Libya through Tunisia during his term as prime minister in 2011. As a result, the UAE offered Essebsi two armored cars during the presidential election campaign, which he quickly announced to have turned over to the state.[64] Relations seem to have suffered, however, when the party invited Ennahda to join the government coalition – apparently against the will of UAE leaders.[65] If true, such outright interference in Tunisian political affairs highlights Emirati inexperience in engaging in party politics in the Arab world – or at least in Tunisia. Such interference is generally vigorously opposed by the populace. A Tunisian political analyst argued that such popular outcry contributes to confusion in the UAE and other Gulf states, and to an "uncomfortable feeling about how to engage in Tunisian politics," which in turn makes future investments and other forms of engagement less likely.[66]

3) Business Investments: The Tunisian Foreign Investment Promotion Agency (FIPA) calculates that Emirati investments in Tunisia by the end of 2014 created or secured around 11,500 jobs, of which 2,100 were in industrial sectors, 1,200 in tourism, and 8,000 in telecommunications. The latter most probably stems from the UAE purchase of 35 percent of Tunisie Telecom's stakes in 2006.[67] This shows the limited extent of UAE investment since 2011, which is probably at least partially a result of lingering disputes over the various UAE real-estate projects in Tunisia that had been agreed before 2011 and either put on hold or cancelled after Ben Ali was toppled. Recently, however, both countries have expressed their interest in increasing UAE investments in Tunisia, especially after Prime Minister Mehdi Jomaa's visit to Abu Dhabi in early 2014 and the participation of the UAE's minister of international cooperation and development, Sheikha Lubna Al Qasimi, in Tunisia's investment conference in September 2014.[68] The UAE-based private equity firm Abraaj has a small number of Tunisian companies in its investment portfolio, especially in the health sector.[69] Moreover, the UAE is rumored to have an interest in getting more involved in the Tunisian harbor business – a step that would resemble similar activities in Egypt.[70] On the whole, UAE investments seem to attract less popular criticism in Tunisia than, for example, Qatari investments.[71]

4) Humanitarian assistance and limited official development assistance: UAE official development assistance for Tunisia had been very limited for many years even prior to 2011, with the main development focus on the water and agricultural sector and minor financial support for building dams for water irrigation. Since 2011, the UAE focus has been on humanitarian assistance, for example medical assistance for refugees coming from Libya and food and clothing for around 10,000 poor Tunisian families during the winter season. Most funding came from the Khalifa bin Zayed Al Nahyan Foundation, and projects were implemented in cooperation with the Tunisian Red Crescent and the Tunisian Union of Social Solidarity. Altogether, 11.6 million USD was disbursed in 2011, around 2 million in 2012, and 5.8 million in 2013. In 2013, the foundation also provided the Tunisian Ministry of Health with 12 ambulances and other medical equipment for health centers in various cities.[72] In winter 2015, the foundation continued its support for more than 4,700 families.

3.3 Future Prospects for the UAE-Tunisian Relationship

Further UAE business investments in Tunisia are likely. The UAE has an interest in investing in Tunisia as part of its effort to increase the UAE's economic diversification. Due to the small size of its market, however, Tunisia should not expect a major inflow of investment from the UAE. UAE investments are likely to come from the country's state-owned enterprises and sovereign wealth funds, whose investments are largely driven more by economic than by political calculations. While such investments may accompany political efforts, as the Egyptian example shows, they will not be geared toward increasing social security for Tunisian workers, an important factor in tackling Tunisia's pressing socioeconomic problems. Future investments also seem to depend on a settlement of current legal disputes against members of the UAE ruling families and of Tunisians close to them.

Political cooperation will be closest in the security sector. Future relations between Nidaa Tounes and the UAE depend as much on the UAE as on the party itself. In order not to compromise its political standing among Tunisian voters, the party must not be seen as a puppet of the UAE. For its part, the UAE must come to terms with the less personalized way of doing politics in Tunisia – in contrast to

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Egypt. Tunisia thus poses a challenge as well as an opportunity to the UAE – and to other Gulf states – to learn how to engage with political parties in a post-revolutionary Arab world.

The UAE will make geostrategic use of Tunisia as a gateway to Libya. The current Tunisian government is eager to protect its "neutral" status in order to avoid being drawn further into the conflict in Libya. It is aware of the diverging interests of the UAE and Qatar in this area. Currently, Tunisia's open borders with Libya seem to be in everybody's interest. For the moment, the UAE will therefore not push the Tunisian government to take sides.

4. Qatar and Tunisia after 2011: Interests, Efforts, and Future Prospects

4.1 Qatari Interests in Tunisia after 2011

Among the Gulf states, Qatar was probably the most decisive political and economic player in Tunisia after 2011. Its engagement was motivated by precisely the same motives behind its engagement in Egypt (see chapter 2, section 4).

In Tunisia, too, Qatar perceived the political developments that began in 2011 more as an opportunity than a threat, also because the estimated 20,000 Tunisians working in Qatar posed no political challenge in Qatar.[73] Here too Emir Hamad wished for the West to perceive Qatar as an interlocutor and a bridge – in this case to Ennahda, as part of a larger network of Islamist movements that were expected to be the future powers in the Middle East. He presumed that strong influence on the new governments in Arab countries provided the potential to strengthen Qatar's role in the GCC, especially in its competition with the UAE. By politically supporting Tunisian protesters he also sought to improve Qatar's image in the Arab world and divert attention from Qatar's own authoritarian rule.

As in Egypt, considerations of economic diversification were at work in Tunisia as well. Qatar expected that changing power structures in Tunisia would provide new investment opportunities for Qatar's Investment Authority (QIA) and for private Qatari businesses. It hoped to capitalize on relations it had long nurtured with Ennahda and receive preferential treatment. More than other Gulf states, Qatar also seems to see Tunisia as a potential gateway to sub-Saharan African markets.

Finally, Qatar also sees Tunisia as a gateway to Libya, where it wishes to increase its political influence and make additional investments.[74]

Under Emir Tamim, the new Qatari emir, the general line of engagement in Tunisia did not change considerably. This is because Ennahda, unlike the MB in Egypt, remained integrated in the political landscape and because the various Tunisian governments were eager to attract investments from all Gulf countries, regardless of their political outlook. Nevertheless, in Tunisia, too, Emir Tamim has opted for less political visibility and is eager to keep a lower political profile than his father.

4.2 Qatari Efforts in Tunisia after 2011

Qatar's engagement in Tunisia since 2011 has included 1) political support for Tunisian governments and for Ennahda, 2) financial support for macroeconomic stability, 3) business investments mainly by state-owned enterprises, and 4) official development assistance.

1) *Political support for Tunisian governments and for Ennahda:* Qatar is widely held to be a strong supporter of Ennahda. Indeed, relations between Qatari officials and members of the party seem to be cordial. Rached Ghannouchi himself, the intellectual leader of Ennahda, is said to have called Qatar a "partner in Tunisia's revolution," and Rafik Abdessalem, son in-law of Ghannouchi, served as head of the Research and Studies Office at the Al Jazeera Center for Studies before joining the cabinet of Hamedi Jebali as foreign minister in December 2011.[75] While Tunisians seem to take it for granted that Ennahda receives funding from Qatar, there is a lack of hard evidence to substantiate such claims. The British newspaper *The Independent* even had to issue a formal apology for claiming that Ennahda's election campaign had been funded by Qatar.[76] Among Tunisians and especially Tunisian politicians, however, this claim is still generally treated as a fact.[77]

Focusing on Qatar's links with Ennahda, however, risks overlooking the fact that Tunisian politicians from various positions on the political spectrum enjoyed good standing with the Qatari leadership. Mohsin Marzouk, the secretary general of Nidaa Tounes, for example, worked for several years at the Doha-based Arab Democracy Foundation, a project close to the heart of Sheikha Mozah, wife of Qatar's former Emir Hamad, and is said to still be on good terms with Foreign Minister Khalid al-Attiyah and Emir Tamim's advisor, Azmi Bishara. Moncef Marzouki, Tunisian president between 2011 and 2014 and former leader of Tunisia's leftist opposition party Congrès pour la République (CPR), is also said to have been close to Emir Hamad. During his presidential term, he repeatedly defended Qatar against popular criticism and called the country's "very very good relations" with Qatar a "win-win relationship."[78]

Youssef Cherif rightly points out that Qatar had an interest in supporting post-revolutionary Tunisian governments regardless of their political background, because a "successful transition in Tunisia would help boost the image of the small Gulf state at a time when its reputation was already suffering from accusations of funding terrorism."[79] Indeed, Emir Hamad, in personally attending the first anniversary of the Tunisian uprising on January 14, 2012, made it undoubtedly clear that Qatar wished to be associated with Tunisia's democratic transition.[80] The same message was sent by providing a significant contribution to Tunisia's Martyr's Fund (for families of the dead and injured) and by helping the Tunisian government recover 28.8 million USD in funds embezzled by the former president Ben Ali and his family.[81] Cherif notes, however, that Ennahda – due to its lack of support among rich Tunisians and due to the opposition of other Gulf states to movements of political Islam – was highly dependent on Qatar, for example on Qatari media outlets such as Al Jazeera and Qatari-owned Arab newspapers like Al-Araby al-Jadid and Al-Quds al-Arabi. This made it most likely to praise Qatar locally and abroad in the name of the Tunisian state in the case of an electoral victory.[82] A Tunisian interlocutor has referred to the Qatari approach in reaching out to different Tunisian political players as having started as a "trial and error strategy" that eventually resulted in a "hit and run."

In fact, Qatar's wish to be so strongly associated with the uprising and to claim the victory over the Ben Ali regime as its own might be among the main reasons why Qatar's image ultimately suffered more. It is noteworthy that some Tunisians blame Qatar for activities that other countries had undertaken without attracting similar criticism. For example, Qatar and Al Jazeera are criticized for their activities training journalists, presumably because such training is believed to have a negative impact on the journalists' ability to report objectively. At the same time, Deutsche Welle and other Western media and NGOs are spared criticism for similar activities.[83] Similarly, the fact that Al Jazeera had already aired programs critical of Ben Ali before 2011 – a scandal that resulted in the withdrawal of Tunisia's ambassador from Doha at the time – has not burnished Qatar's – and Al Jazeera's – reputation among Tunisians today.[84]

Against this background, the rumor is plausible that Emir Tamim expressed to President Essebsi the wish for a "new beginning" in his country's relations with Tunisia.[85] Unlike Qatar's relations with the MB in Egypt, those with Ennahda have not become an outright liability and are thus likely to be pursued further. But Qatar can be expected to reach out even more than in the past to other political actors in Tunisia, too, rather than focusing exclusively on Ennahda.

2) *Financial support for macroeconomic stability:* In spring 2012, Qatar deposited 500 million USD with the Tunisian Central Bank in the form of a five-year-loan at 2.5 percent interest. The purpose of this loan was to help the country overcome external balance problems.[86] Another loan in the same amount was announced in November 2013, but it is unclear if it actually came through.[87] Qatar is the only Gulf country to have supported Tunisia through such a measure.

3) *Business investments:* After 2011, Qatar started to invest in various sectors, among them telecommunication, tourism, banking, and petrochemicals. Although these investments exceed 6 billion USD, former President Marzouki had called them "relatively low" and called for trade relations to be improved.[88]

Qatar invested the most in building an oil refinery in Skhira and in a phosphate project in Sra Ouertane.[89] According to Kristian Coates Ulrichsen, the Skhira refinery will allow Tunisia to refine oil from Libya and thereby develop its potential as an export hub for refined products, massively expanding capacity beyond the existing older refinery in Bizerte.[90] Already in summer 2012, the Qatari real estate company Qatar Diyar, owned by Qatar's sovereign wealth fund QIA, had announced investments in the Tunisian tourism sector for a luxury hotel in Touzeur worth 80 million USD and another in Mahdia.[91] While it seems that these projects are still in the planning phase, partly for security concerns especially in Tozeur, the Qatari-owned La Cigale hotel chain has in the meantime refurbished a luxury hotel in Tabarka. Furthermore, Qatar National Bank (QNB) purchased more than 99 percent of the Tunisian Qatari Bank, whose name was consequently changed into QNB.[92] The Qatari mobile company Ooredoo/QTel purchased 90 percent of shares of the mobile company Tunisiana, whose name was likewise changed into Ooredoo. Further investments were discussed during numerous bilateral business delegations visiting Doha and Tunis that often involved high-ranking politicians from both sides. These included President Marzouki and Prime Minister Jumaa of Tunisia, and Foreign Minister Al-Attiyah of Qatar.[93]

According to FIPA, Qatari investments created or secured 850 jobs, 800 of them through the aforementioned Tunisiana purchase. Several interview partners mentioned that investments in Tunisia's agricultural sector would create a large number of jobs. This sector is indeed of general interest to Qatar, also as part of its efforts to

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strengthen its domestic food security, but Tunisia is only willing to lease rather than to sell land.[94]

Most interview partners in both countries argued that profit was the major motivation behind Qatari investments in Tunisia, especially those related to QIA, which conforms to the strategies followed by all Gulf state sovereign wealth funds. Given the close connections between QIA and the ruling family, however, it seems plausible that political interests were also at work, some of which go beyond interests in Tunisia itself. On the one hand, investments in Tunisia are part of Qatar's regional outreach in the Maghreb and sub-Saharan Africa.[95] On the other hand, there are rumors circulating that tie promises of Qatari investments in Tunisia to Tunisia's recognition of Libya's National Transitional Council.[96]

Like Qatar's efforts in other fields, its investments meet more popular opposition in Tunisia than those of other countries do. One example of strong anti-Qatari sentiment was the popular campaign against Tunisiana/Ooredoo, which resulted in the cancellation of a large number of subscriptions after its sale to Qatar. This is especially noteworthy when compared to the Tunisians' apparent lack of interest in the Emirati ownership of Tunisie Telecom since 2006. More than the other Gulf states, Qatar is criticized for bringing "only money but no know-how," although the country's investments hardly differ from those of other GCC investments in this regard.[97] Many interview partners were also more suspicious about QNB activities in the banking sector than about those of other Gulf-owned banks. When analyzing such negative response, one should recall that other countries do not tend to accompany their activities and investments with as much publicity as Qatar does. Again, strong anti-Qatari reactions among Tunisians may not only be a response to Qatar's political line in Tunisia but also to its tendency to spotlight itself. As a result, Tunisians also overlook the positive side effects for the Tunisian labor force, for example from the cooperation between Qatar Diyar and Silatech, a Qatari development organization, in the tourism project in Tozeur, which is meant to create new jobs in this impoverished area.

4) *Official development humanitarian assistance:* Qatar provided financial assistance for a number of development projects that were implemented by Tunisian, Qatari, and international NGOs and charities. Reports of the Qatari foreign ministry on foreign aid state around 10 million USD in 2010–11, 135 million in 2012, and 3 million in 2013.[98] The large amount stated for the year 2012 seems to include a 100 million loan provided by the Qatari Friendship Fund for projects benefiting employment and education. This loan is managed from afar by the Qatari foreign ministry in Doha with the help of the Qatari embassy in Tunis. Several Qatari organizations working in Tunisia seem to receive part of their project funding from this loan, among them Silatech and Qatar Charity. While Silatech focuses on employment and job creation for youth in cooperation with local and international partners like the World Bank and the Japan Social Development Fund (JSDF), Qatar Charity is involved in a 5-year project totalling 10 million USD that focuses on agricultural projects and housing in rural areas.[99] Also the Shaikh Thani Bin Abdullah Foundation for Humanitarian Services (RAF) is said to run humanitarian projects in Tunisia. Qatar also provided funding for two housing projects, one of them a project in Sejoumi that had been initially started by Libya but ran out of funding after 2011.

According to Tunisian government employees, Qatar was the most generous provider of development assistance among the Gulf states until 2013, after which Saudi Arabia and Kuwait increased their official assistance. Western development organizations in Tunisia and even Tunisian government officials have little information about Qatar's activities in this sector because employees of Qatar's organizations in Tunisia do not participate in coordination meetings.

This lack of information fuels rumors about the activities of Qatari charities in Tunisia. As a result of growing anti-Qatari sentiment within the Tunisian population, Silatech and Qatar Charity took different measures to protect their projects and their local partners against political hijacking. While the implementation of Silatech's projects is mostly mediated by international NGOs that are not required to use Silatech's logo, Qatar Charity has decided to coordinate the projects with the help of consultants. This has the effect of taking local partners out of the spotlight and playing down the extent of their participation.[100]

4.3 Future Prospects for the Qatari-Tunisian Relationship

Qatar is likely to remain an active political player in Tunisia. Under Emir Tamim, the general line on engagement in Tunisia did not change considerably. This is also because the current Tunisian government remains committed to attracting investments from all Gulf countries, regardless of their political outlook. It is interesting to note that several Qatari organizations reacted to growing anti-Qatari sentiment in Tunisia by taking measures to divert attention from Qatar and the organizations themselves as well as to protect local Tunisian partners and their work.

On the whole, Qatar can be expected to continue its political support for Ennahda while simultaneously increasing its efforts to diversify its political contacts. Personal links between the Qatari leadership and Tunisian politicians of various parties provide a good basis for reaching out to new political partners. However, this will also depend on the Tunisian parties how much influence Qatar will be able to exert, for parties have to be careful not to compromise their political standing with Tunisian voters. Like the UAE, Qatar will have to come to terms with the less personalized way of doing politics in Tunisia. As with the UAE, Tunisia thus offers an opportunity for Qatar, too, to learn how to engage with political parties in a post-revolutionary Arab world.

More Qatari investments in Tunisia are likely. The Tunisian government is open to investments from all Gulf states. Qatar is thus very likely to remain an active economic player in Tunisia through its state-owned enterprises. While the operations of such enterprises are driven more by economic than by political considerations, they could easily be used to accompany political efforts. They will not provide the necessary impetus for sharing economic benefits more fairly or for more effective protection for the country's poor and vulnerable.

Qatar will make geostrategic use of Tunisia as a gateway to Libya. As already noted in this chapter's section on the UAE, the current Tunisian government is eager to avoid being drawn further into the Libya conflict and to maintain its "neutral" status. It is aware of how the interests of the UAE and Qatar in particular diverge on this matter. Tunisia's open borders with Libya seem at present to be in Qatar's interest as well, also because at least for the moment Qatar is neither in the position to push the Tunisian government further into taking sides nor interested in doing so.

5. The Impact of Gulf State Financial Support on Tunisia's Political and Economic Development since 2011

5.1 General Remarks

The assistance provided by the Gulf states to Tunisia since 2011 has been limited, especially compared to what the same states have provided to Egypt. The economic and political impact of this assistance has thus been commensurately limited. The small scale of assistance reflects the comparatively smaller concerns of Gulf states about Tunisia's political uprisings and the ensuing transition there.

Politically, the UAE and Saudi Arabia were and are less worried about Ennahda's role in Tunisia's political future than about the MB's role in Egypt. The Ennahda party was not seen as having a transnational agenda, and it proved willing to cooperate with other Tunisian political players and movements in the political transition process.

Economically, the Gulf states were not as anxious about Tunisia's economic stability as they were about Egypt's, as they had relatively few investments in Tunisia. In their eyes, an economic collapse of Tunisia would not have had a significantly negative impact on the region as a whole, nor would it today. Indeed, only Qatar has thus far taken measures to stabilize the Tunisian economy – in the form of loans to Tunisia's Central Bank.

While the poor condition of the Tunisian economy may not have an overwhelmingly negative impact on the region, it still represents the core problem. Insufficient economic performance and unevenly shared economic benefits were, after all, at the root of the 2011 uprisings in Tunisia.[101]

Nevertheless, despite an impressive, if occasionally rocky, political transition process since the uprisings of 2011, the economic system that existed under Ben Ali remains largely intact. Certainly, the Tunisian public's strong demands for access to economic opportunity are far from being met. The current state-controlled economic model has not yet been reformed into an inclusive and sustainable model that promotes investment, enables firms to increase their productivity and competitiveness, and accelerates the creation of quality jobs throughout the country. In order to successfully tackle the existing socioeconomic and political challenges, Tunisia urgently needs to create a healthier economic environment and ensure more effective protection for the poor and vulnerable.[102] This will take time. Certainly, no recent push for such reforms has come from Gulf business investments or from Gulf political initiatives. Nor can it be expected in the future.

Beyond the very modest direct engagement of the Gulf states in Tunisia itself, the country could also be affected economically and politically by their engagement in neighboring Libya, especially that of the UAE and Qatar.[103] The Tunisian government is well aware of the extent to which negative developments in the conflict in Libya threaten its own future political and social stability. The international community needs to coordinate with the Gulf states to ensure that the Libyan conflict does not hamper Tunisia's economic and political transition process and endanger the domestic security situation.

The following sections outline the concrete ways in which assistance from the Gulf states had an impact on political and economic developments in Tunisia after 2011.

5.2 Impact on Political Developments in Detail

Foreign funding for charities had an impact on overall political discourse. Post-revolutionary Tunisia has been considerably more open to foreign contributions to help build its new political and economic order. This is because suspicions about the "agendas" of foreign donors were less pronounced there in 2011 than in countries such as Egypt, which had received sizable foreign assistance and support for civil society for decades. Kristina Kausch argues that this has led the new government to adopt a legal and political framework after 2011 that was broadly favorable to such foreign assistance.[104] However, while foreign funding for associations and charities was legalized, foreign funding for political parties remained illegal. Supporting charities as proxies for ideologically close political parties provided a ready solution to this problem.[105] As many Gulf states handed out more financial support to religious charities than to secular NGOs, allegations of Gulf funding for political parties via related charities and associations quickly arose. This in turn led to rising concerns about any financial funding coming from the Gulf, concerns that are further manipulated in political debates both by Tunisian political players and by the Gulf states themselves.

The Tunisian fight against terrorism is in danger of being coopted. Terror attacks on Tunisia pose an indisputable threat. However, supporting the country's fight against terrorism has provided especially the UAE with a platform to balance Qatar's influence on domestic Tunisian politics. By supporting Tunisia's security sector, the UAE also manages to increase its leverage on the Tunisian government's stand on Libya, where the UAE has its own political agenda, while the Tunisian government is interested in being perceived as a neutral player.

5.3 Impact on Economic Developments in Detail

There is potential for more foreign direct investment from Gulf countries. The various Tunisian governments in office since 2011 seem to have worked with Gulf investors and investments much as they have worked with all others: without preferential treatment. In doing so, they could well have lost some Gulf investments. The current Tunisian government wishes to increase Gulf investment to strengthen the Tunisian economy and simultaneously achieve more independence from its most important trading partner, the EU. However, convincing the population of the benefits of Gulf investments is a political challenge. The population has widespread concerns about the motivations of Gulf states and about the political, social, and cultural consequences of their increased influence on Tunisia.[106]

Most Gulf business investments are not aimed at inclusive economic growth. Business investments from the Gulf are said to have created or secured more than 21,000 jobs, but the small number and size of planned and implemented projects have not provided widespread trickle-down effects. With a few exceptions, most projects did not target rural areas or the needs of socially and economically marginalized Tunisians. It must be noted, however, that development organizations from Qatar in particular are showing interest in youth employment, rural development, support for small and medium-sized enterprises (partially via Sharia-compatible loans), and the renewable energy sector.

Most Gulf business investments target sectors with high returns on investments. With investments in the banking, telecommunication, and real estate sectors, Gulf state companies and SWFs have shown particular interest in sectors that have been rather closed to competition in the past and dominated by Tunisian state-owned enterprises.[107] Telecommunication and financial services are especially important for the overall competitiveness of the Tunisian economy, as they are intensely used in value chains.[108] The World Bank has noted that breaking the state's monopoly in these sectors could decrease prices for consumers and thereby boost the economy. However, it remains to be seen if Gulf investments in these sectors will actually contribute to such developments. At present, they benefit from high prices paid by consumers, which gives them high returns on their investments.[109]

Tunisia's trade deficit with the Gulf states is continuously increasing. Tunisia's foreign trade deficits have been rising in general and have almost doubled with the Gulf states, from 188 million USD in 2010 to 325 million in 2013.[110] As this deficit is mainly due to rising prices for energy imports, it is noteworthy that – in contrast to the Egyptian case – Gulf investments in Tunisia's energy sector and especially in renewable energy projects are still limited.[111] Only Qatar seems to be investing in this sector. This is somewhat surprising, as the Gulf states have increasingly been targeting other Middle Eastern energy markets, not only to increase their exports but also to ensure regional energy security via energy efficiency.

Notes to Chapter Three

1 World Bank Group, "Unfinished Revolution: Synthesis," pp. 5–6; Mazarei et al., "Four Years," p. 2).
2 World Bank Group, "Unfinished Revolution: Synthesis," p. 5.
3 Based on interviews conducted by one of the authors in Tunis in May 2013.
4 Kausch, "Foreign Funding," p. 2.
5 Based on interviews in Tunis in April 2015.
6 Kausch, "Foreign Funding," p. 6.
7 Ibid., p. 1.
8 Sarieldin, "The Battle for Benghazi."
9 Historically, the Saudi-Tunisian relationship broke up after Iraq's 1991 invasion of Kuwait, which each side perceived completely differently; while Tunisia stood with Saddam Hussein, Saudi Arabia supported the anti-Iraq coalition.
10 Based on interviews conducted in Tunis in April 2015.
11 Ennahda won 37.04% of the popular vote, which means 89 of the 217 assembly seats (41%) in the Tunisian Constituent Assembly election on October 23, 2011. It thus became the strongest party in the legislation. Together with the Congress for the Republic (CPR) and Ettakatol, Ennahda formed the so-called Troika government. For political developments see International Crisis Group, "L'exception tunisienne."
12 Based on interviews conducted with representatives of German political foundations in Tunis in March 2015.
13 Based on an interview with a former Tunisian politician in Tunis in April 2015.
14 Ibid.
15 Based on interviews in Riyadh and Jeddah in December 2014.
16 Based on an interview in Tunis with member of a political opposition party in April 2015.
17 Hinds, "Conflict Analysis of Tunisia."
18 See Wolf, "An Islamist Renaissance"; Moniquet, "Involvement of Salafism/Wahhabism," pp. 20–21; Monica Marks, "Who are Tunisia's Salafis?" *Foreign Policy*, September 28, 2012 <http://www.foreignpolicy.com/2012/09/28/who-are-tunisias-salafis/> (accessed June 4, 2015).
19 On kindergartens, see Hanene Zbiss, "Quranic Kindergartens in Tunisia: Breeding a Wahhabi Elite," *Arab Reporters For Investigative Journalism*, December 20, 2013 <http://en.arij.net/report/quranic-kindergartens-in-tunisia-breeding-a-wahhabi-elite/> (accessed June 4, 2015). On Salafi clerics, see "Qui est Khatib Al-Idrissi, chef des salafistes jihadistes tunisiens, arrêté par la police," *Kapitalis*, October 25, 2013 <http://www.kapitalis.com/societe/18845-qui-est-khatib-al-idrissi-chef-des-salafistes-jihadistes-tunisiens-arrete-par-la-police.html> (accessed June 4, 2015) and Aaron Y. Zelin, "Who is Tunisia's Salafi Cleric Shaykh al-Khatib al-Idrisi?," *al-Wasat*, October 24, 2013 <http://www.thewasat.wordpress.com/2013/10/24/who-is-tunisias-salafi-cleric-shaykh-al-khatib-al-idrissi/> (accessed June 4, 2015).
20 See Ghassan Ben Khalifah, "Tunisia's Salafist Emergence Puts New Players on Political Stage," *Al-Monitor*, September 23, 2012 <http://www.al-monitor.com/pulse/politics/2012/09/week-endsalafists-in-tunisia-a-rising-player-on-the-political-stage.html> (accessed June 4, 2015).
21 On political pluralism, see Lang et al., "Tunisia's Struggle for Political Pluralism." On Ennahda and Salafis, see Lusardi, "Tunisia's Islamists." On mosques, see "Tunisia: 149 mosques under the Control of Radical Salafists," *Tunis Times*, March 14, 2014 <http://www.thetunistimes.com/2014/03/tunisia-149-mosques-under-the-control-of-radical-salafists-51526/> (accessed June 4, 2015); Wolf, "Radicalization of Tunisia's Mosques"; and "La Tunisie veut récupérer les mosquées contrôlées par des radicaux," *Jeune Afrique*, March 12, 2014 <http://www.jeuneafrique.com/actu/20140312T150726Z20140312T150658Z/la-tunisie-veut-r-cup-rer-les-mosques-contr-l-es-par-des-radicaux.html> (accessed June 4, 2015).
22 Based on interviews with representatives of German political foundations in Tunis, March 2015.
23 Marc Daou, "How Saudi Petrodollars Fuel Rise of Salafism," *France24*, September 30, 2012 <http://www.france24.com/en/20120929-how-saudi-arabia-petrodollars-finance-salafist-winter-islamism-wahhabism-egypt> (accessed June 4, 2015).
24 Based on interviews in Tunis, March 2015.
25 Ibid.
26 Between 2004 and 2014, in total 24.8 million pilgrims visited Saudi Arabia. In 2014, 2.05 million pilgrims performed the *Hajj*. Government of Saudia Arabia, Central Department of Statistics and Information, "Actual Inventory of Pilgrims 2014" (in Arabic) <http://www.cdsi.gov.sa/pdf/Hajj_1435.pdf> (accessed June 4, 2015). Indonesia sent the largest number of pilgrims in 2014 (293,200), followed by Pakistan (189,500), and India (151,000). "Saudi Arabia has Hosted 25 Million Hajj pilgrims in 10 years," *Alarabiya*, October 19, 2014 <http://www.english.alarabiya.net/en/perspective/features/2014/10/19/Saudi-Arabia-hosted-25m-hajj-pilgrims-in-past-10-years.html> (accessed June 4, 2015). In 2013, 8,300 Tunisians attended the Hajj. See Asma Smadhi, "Tunisian's Journey to Mecca for the Hajj, Islam's Holiest Pilgrimage," *Tunisia Live*, October 4, 2013 <http://www.tunisia-live.net/2013/10/04/tunisians-journey-to-mecca-for-the-hajj-islams-holiest-pilgrimage/> (accessed June 4, 2015).
27 "Le prédicateur Wajdi Ghanim attaque les laïcs tunisiens et dénonce les elections" (video footage of Wajdi Ghanim), *Réalité*, October 30, 2014 <http://www.realites.com.tn/2014/10/video-le-predicateur-wajdi-ghanim-attaque-les-laics-tunisiens-et-denonce-les-elections/> (accessed June 4, 2015) and "Wajdi Ghanim, ami d'Ennahdha, prié de quitter le Qatar," *Kapitalis*, September 13, 2014 <http://www.kapitalis.com/politique/24617-wajdi-gha.0nim-ami-d-ennahdha-prie-de-quitter-le-qatar.html> (accessed June 4, 2015).
28 Based on interviews with representatives of German political foundations, Tunis, in March 2015.
29 Based on interviews with representatives of the Foreign Investment Promotion Agency in April 2015.
30 Based on an interview with the German Chamber of Trade and Commerce in Tunis in April 2015.
31 The main shareholders of the important Tunisian pharmaceutical producer STE Arabe IND Pharmaceutiques (Saiph) are from Saudi Arabia, Libya, and Jordan. See Fausi Najjar, "Gesundheitsmarkt in Tunesien bietet neue Chancen," Germany Trade and Invest, February 14, 2012 <http://www.gtai.de/G T A I / Navigation/D E / T r a d e / maerkte,did=449280.html> (accessed March 2, 2015).
32 Interview with a Tunisian researcher in Tunis in April 2015.
33 See official homepage of the Tunisia Economic City <http://www.tunisiaec.com/news/> (accessed June 4, 2015).
34 Imen Nouira, "Tunisia Economic City aims to boost economy," *Al-Monitor*, September 11, 2014 <http://www.al-monitor.com/pulse/business/2014/09/tunisia-economic-city-project-major.html> (accessed June 4, 2015).
35 Germany Trade and Invest, "Tunesien investiert in Erdgasversorgung," February 19, 2013 <http:// www.gtai.de/G T A I / Navigation/D E / T r a d e / maerkte,did=763260.html> (accessed May 22, 2015).
36 Based on an interview in Tunis in March 2015.
37 La Société de Promotion du Lac de Tunis, "General Presentation of the Northern Lake project" <http://www.splt.com.tn/index.php?option=com_content&view=article&id=61&Itemid=90&lang=en> (accessed June 4, 2015).
38 Based on interviews in Tunis in April 2015.
39 Based on interviews in Tunis in April 2015 and Jeddah in December 2014.
40 Based on interview with representatives of the Tunisian Ministry of Development and International Cooperation in April 2015.
41 One was the visit of former Saudi minister on foreign affairs, Prince Saud al-Faisal, who discussed with his Tunisian counterpart, Rafik Abdul Salam, opportunities of bilateral cooperation in January 2013. See Saudi Arabia Ministry of Foreign Affairs, "Foreign Minister Starts Official visit to Tunisia," January 29, 2013 <http://www.mofa.gov.sa/sites/mofaen/ServicesAndInformation/news/MinistryNews/Pages/ArticleID201312911643484.aspx> (accessed June 4, 2015).
42 Historically, Salafi and even Jihadist movements emerged at the end of the 1990s and were instrumentalized by Ben Ali with the aim of countering Ennahda. This was helped by the fact that early Tunisian Salafism followed a pietistic, more scriptural "Saudi version" of Salafism. However, the attacks of September 11, 2001 were a turning point in Ben Ali's relatively smooth relations with the Salafists, followed by the attack on the Djerba Synagogue in April 2002. See International Crisis Group, "Violence and the Salafi Challenge"; Mölling and Werenfels, "Tunesien: Sicherheitsprobleme"; and Faath and Mattes, "Hindernisse bei der Bekämpfung."
43 See International Crisis Group (ICG), "Tunisia's Borders: Jihadism and Contraband"; ICG, "Tunisia's Borders (II): Terrorism and Regional Polarisation"; and Kartas, "On the Edge."
44 Zelin, "Tunisian-Libyan Jihadi Connection."
45 Peter R. Neumann, "Foreign Fighter Total in Syria/Iraq Now Exceeds 20,000; Surpasses Afghanistan Conflict in the 1980s," International Centre for the Study of Radicalisation and Political Violence, January 26, 2015 <http://www.icsr.info/2015/01/foreign-fighter-total-syriairaq-now-exceeds-20000-surpasses-afghanistan-conflict-1980s/> (accessed June 4, 2015).
46 Based on interview with a Tunisian researcher in Tunis, April 2015.
47 Ibid.
48 Based on interviews with a Saudi researcher in May 2015 in Berlin.
49 Based on interviews in Tunis in April 2015.
50 Haykel, "Saudi Arabia and Qatar," p. 7.

51 See "Lubna, Tunisian Minister Discuss Trade and Investment Ties," *UAEinteract*, June 7, 2010 <http://www.uaeinteract.com/docs/Lubna,_Tunisian_Minister_discuss_trade_and_investment_ties/41332.htm> (accessed June 4, 2015) and "Sheikha Lubna, Tunisian PM Discuss Trade," *Khaleej Times*, July 30, 2011 <http://www.khaleejtimes.com/article/20110730/ARTICLE/307309887/1036> (accessed June 4, 2015).

52 Kausch, "Foreign Funding," p. 6.

53 Especially in the 1980s, Tunisia and the UAE were eager to increase the number of Tunisian professionals in the UAE. Tunisia even tasked a labor attaché at its embassy in the UAE with coordinating such efforts. See al-Akim, *Foreign Policy of the UAE*, p. 32.

54 Gaub, "From Doha with Love," p. 62.

55 Based on interviews conducted by one of the authors in November and December 2014 in the UAE.

56 See Imen Nouira, "Tunisian PM on Gulf Tour to Attract investment," *Al-Monitor*, March 23, 2014 <http://www.al-monitor.com/pulse/business/2014/03/tunisia-pm-tour-support-investment-gulf-countries.html> (accessed June 4, 2015).

57 Based on an interview in Tunisia in April 2015.

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Chapter Four
Executive Summary and Policy Recommendations

1. Summary

1.1 Shifts and Deeper Changes in the Gulf States' Foreign Policies since 2011

With the political uprisings in Arab countries that started in early 2011, the wealthier Gulf states quickly responded by leveraging considerable political and economic power to shape regional politics according to their own interests. Political upheavals in the region left a void, as did the ongoing reluctance of Western states to offer these countries meaningful political and economic incentives that could help them undertake radical political and economic reforms. The smaller Gulf states in particular now saw an opportunity to substantiate their demands for more political influence, which had grown out of their increased economic influence.

The Gulf states' engagement in North Africa was fueled by the perception that they would have to shoulder the main burden of responsibility for the region. This was the result of decreased trust in Western powers as providers of stability for the region. Though arms sales to the Gulf states by Western states have increased, Western powers are perceived as paying too little attention to Gulf interests. This has been compounded since the 5+1 negotiations on Iran's nuclear program and the West's reluctance to intervene effectively in Libya and Syria. The Gulf states thus started to use their enhanced international profile and clout for regional power politics in North Africa without seeking prior consent from their Western allies. They consequently and increasingly tend to align themselves with emerging powers, especially in Asia.

As a result of the paralysis of the Arab League, the role of the Gulf Cooperation Council (GCC) in intra-Arab conflict mediation has risen. Discord among its members, especially between Qatar and the United Arab Emirates, still simmers below the surface. That tension is currently muted due to pressure exerted by Saudi Arabia, which wishes to form a united front against the Houthis in Yemen and against the so-called Islamic State (ISIS) on a regional level. Despite the recent rapprochement between Saudi Arabia and Qatar, tension between Qatar and the UAE is likely to erupt again, for example on the Libyan issue, whereas Saudi Arabia under the new king is expected to focus its attention mostly on Yemen.

Saudi Arabia's foreign policy: For decades Saudi foreign policy was based on three pillars: 1) safeguarding the domestic power of the royal family as the only legitimate ruler of the kingdom, 2) safeguarding the influence of Saudi economic players in the region and beyond, and 3) safeguarding the supremacy of religious leadership based on Wahhabism, with strong anti-Shia tendencies. After the outbreak of the Arab uprisings, as democratically legitimized forms of Islamic rule, especially in Egypt, directly undermine the raison d'être of the Saudi regime, these pillars have come under pressure. Thus, Saudi Arabia shifted its foreign policy strategy from a non-interventionist, mediating policy toward a counter-revolutionary policy aiming at the stabilization of allied regimes like Egypt. In comparison to his predecessor's policy, the new King Salman's military action in Yemen indicates again a shift in Saudi regional policy toward a more interventionist and non-diplomatic approach. King Salman's foreign policy is thus focused on nearby hotspots such as Yemen, while North African countries are of decreasing interest and will only be prioritized if security in these countries deteriorates. Regarding traditional Saudi allies such as the US, King Salman is diversifying external alliances in order to prove his ability to act as a sovereign regional power. Although the US remains a reliable ally, ad hoc partnerships – for example with Russia – will become more important.

The foreign policy of the United Arab Emirates: The UAE's foreign and security policy is guided by its vital interests: securing the state's territorial integrity and maintaining the regime stability of its constituent emirates (with the ruling family of Abu Dhabi's Al Nahyan at the top, followed by Dubai's house of the Al Maktoum). Saudi Arabia and Iran both pose direct and indirect threats to these vital interests, as they have in the past exerted influence on the smaller and poorer emirates, causing internal unrest within the UAE. To maintain internal stability, the UAE has gone to great lengths to diversify its economy. Foreign policy played a central role in these efforts, as reflected in the UAE's large-scale foreign direct investments over the past two decades – mainly on the part of the ruling families, state-owned enterprises, and sovereign wealth funds. Securing UAE investments was therefore a major concern driving the country's reaction to the political upheavals in the region that began in 2011. Furthermore, there was deep concern that branches of the Muslim Brotherhood (MB) in the UAE would instigate unrest in the less wealthy emirates, thereby threatening the federation's stability and the power of the ruling families. The UAE has been using a range of incentives as well as sanctions to promote UAE interests and influence politics in the countries of the Arab uprisings. These efforts center on furthering economic liberalization and politically marginalizing the Muslim Brotherhood and similar movements in these countries.

The foreign policy of Qatar: For twenty years, Qatar's leadership has relied heavily on foreign policy to pursue its vital interests: territorial integrity (threatened mainly by Saudi Arabia and Iran) and regime stability (challenged mainly from within the Al Thani family itself). The cornerstones of that strategy have been to foster close political relations with various, often rival, international and regional actors and to diversify Qatar's economy and its economic partners. Unlike Saudi Arabia and the UAE, Qatar interpreted the 2011 regional upheavals as a unique opportunity to increase its political and economic leverage in and beyond the MENA region. This led Qatar to shift abruptly toward a strategy of proactive intervention. Qatar was able to portray itself as champion of the people's right to self-determination, particularly since it is not challenged domestically by Islamist forces. Qatar's interventionist foreign policy strategy was short-lived, however. After power was handed over from Emir Hamad bin Khalifah Al Thani to his son, Tamim bin Hamad Al Thani, in June 2013, the strategy was readjusted. Today Emir Tamim acts on the realization that Qatar's leaders needed to seek closer approval from Saudi Arabia and that Qatar's main political allies were coming under increasing pressure. The country's foreign policy is nevertheless likely to remain somewhat unpredictable to outsiders. This is due, for one thing, to its aspirations to be a regional power and ultimately a player in international politics and, for another thing, to the fact that outsiders have little insight into tight-knit Qatari decision-making circles. Leverage of Western states on Qatar is limited because the country's main economic partners – and, as a consequence, its political partners – are in Asia. Even the Saudi influence on Qatar is restricted. For Qatar, much like the UAE, is interested in carving out its role as a regional actor independent of Saudi Arabia's influence. Qatar is thus likely to continue to pursue – to a certain extent – policies that question Saudi political hegemony and Saudi claims to represent the GCC as a whole.

1.2 Egypt after 2011: The Impact of Gulf State Engagement

Saudi Support for Egypt since 2011: Starting in 2011, Saudi Arabia became interested in 1) stopping the expansion of democratically legitimized political Islamic movements such as the Egyptian Muslim Brotherhood, 2) stopping the cautious rapprochement then taking place between Mohamed Morsi and Iran – in order to contain the regional influence of Shiite Iran, and 3) in protecting Saudi economic interests in Egypt. For these purposes, Saudi Arabia became one of the most reliable and generous donors of financial assistance to the Egyptian Supreme Council of the Armed Forces between 2011 and 2012, and – since July 2013 – to the government of General Abdel-Fattah el-Sisi. The country's total financial support to Egypt since Sisi took power has been about 10–12 billion USD.

Furthermore, the Saudi business community wanted to preserve its traditional, long-lasting economic interests in Egypt. Around 3,200 Saudi companies hold the largest proportion of investments from the Gulf states, with an investment volume of 5.2–5.5 billion USD in 2014 in the form of 2,743 projects.

Saudi Arabia also feared that its own initiatives to spread Wahhabism throughout Egypt could be curtailed by initiatives undertaken by the Egyptian Muslim Brotherhood during its time in power. It is thus highly likely that Saudi Arabia pressured its Egyptian religious and political partners to refrain from curbing the influence of Wahhabism within Al Azhar – the leading Sunni theological university in Egypt – although there is no concrete evidence that such steps were taken. Moreover, Saudi Arabia welcomed the fall of the MB, as it ended the strong influence of its rival, Qatar in Egypt. The country could thus reestablish itself as the "true leader" of the Muslim world and within the GCC.

It remains to be seen whether Saudi Arabia's strong ties to the Sisi administration will continue under the new Saudi leader, King Salman. Faced with domestic challenges such as rising youth unemployment and low oil prices, King Salman is showing more reluctance to support Egypt's government financially. On a political level, King Salman wants to integrate Turkey and Qatar into his anti-terror alliance against ISIS and, as part of the anti-ISIS efforts, is also interested in reintegrating members of Egypt's MB – against Sisi's will. Thus, under the new king, unconditional financial assistance to Egypt might change into more conditional forms of support such as the financing of concrete investment projects.

Emirati support for Egypt since 2011: The UAE's support for Egypt is led by 1) a desire to undermine the potential influence of political Islam as a conflicting political ideology, 2) an interest in safeguarding the UAE's security in the face of regional instability, 3) a wish to strengthen the role and image of the UAE as a power broker in the region, and 4) an interest in securing pre-existing investments and to open new markets.

Like other Gulf states, the UAE responded immediately after the outbreak of political unrest in 2011 by promising large-scale financial support to Egypt. By the end of 2012, however, only 50 million USD had been delivered. Since Morsi's removal from power, the UAE has provided grants and loans to Egypt's Central Bank in order to prevent Egyptian insolvency as well as petroleum to finance energy subsidies. The UAE also provided considerable manpower via the so-called UAE-Egypt Task Force, which was essential for the timely organization of the 2015 EEDC investment conference in Sharm el Sheikh. Hundreds of millions of dollars have been disbursed since 2013 to implement social and economic projects in order to brand the UAE as a generous supporter of the Egyptian people. According to the OECD, the UAE's support for Egypt made it the most generous donor of development assistance globally in 2013 and 2014, which further contributed to the UAE's international standing.

As the UAE does not face the same domestic financial constraints as Saudi Arabia, it will be able to support Egypt as long as there is political will in the country to do so. Financial support will not come unconditionally, however. The UAE pushes for results and will continue to demand the implementation of administrative and economic reforms. The UAE will not, however, be encouraging political reforms or the inclusion of additional domestic actors into Egyptian politics, as this is currently not in the UAE's interest. This decision will, however, depend more on Saudi considerations of how to engage the MB and its international supporters, Qatar and Turkey, in other regional efforts and conflicts.

Qatar's support for Egypt since 2011: Under its former leader, Emir Hamad, Qatar's engagement in Egypt after 2011 was strongly guided by the wish to brand Qatar in the West as a bridge and an interlocutor with the MB, which it anticipated would become the future power in the Middle East, as well as to improve Qatar's image in the Arab world. By siding with the opposition in Egypt, Qatar portrayed itself as a champion of the people's right to political self-determination and as a supporter of their democratic aspirations. It was also hoped that pro-revolutionary rhetoric by Qatar's emir would divert public attention from Qatar's own authoritarian rule. Qatar also expected that changing power structures in Egypt would provide new opportunities for investment, thereby further increasing Qatar's efforts to diversify economically. Good relations with the new Egyptian government were also expected to settle the Qatari-Egyptian conflict over both countries' economic and political interests in Sudan.

Under Emir Hamad, Qatar provided large-scale immaterial support to the MB in particular. This took the form of anti-Mubarak political rhetoric and extensive airtime on the various TV channels belonging to the Qatari Al Jazeera network highlighting the demands and activities of the opposition and covering the government crackdown on the opposition. Allegations of direct financial support for the MB cannot be substantiated.

Qatar provided financial support for macroeconomic stabilization via grants and loans to the Egyptian Central Bank. Shipments of liquefied natural gas (LNG) helped ease Egypt's shortage of power. Negotiations on large-scale investments totaling 18 billion USD broke down with the removal of President Morsi from power. However, several Qatari state-owned companies active in real estate and banking continue their activities in Egypt; apparently Egyptian consumers have not tied their private purchases to the political tension between Qatar and Egypt. Similarly, the work of Qatari development organizations continues, although mediated by local Egyptian and international NGOs and companies.

Under the new leader, Emir Tamim, the first steps have been taken toward political reconciliation with Egypt. This is also the result of the intra-GCC reconciliation of December 2014. Tension is still simmering, however, as could be seen in the conflicting Qatari and Egyptian responses to the Egyptian military attacks on Libya in February 2015. On the whole, Qatar's current low profile in Egypt helps support the claim that Emir Tamim is readjusting Qatari foreign policy. Qatar's relatively few financial investments in Egypt do not merit any forced moves to return to the Egyptian scene.

Like his father, however, Emir Tamim demands that a political solution be found for the conflict with regard to the conflict over allowing the MB to participate in Egyptian political life. It is unlikely that Qatar will return to Egypt politically before such demands are at least partially met, as this would involve losing face. Despite Saudi and especially UAE opposition to the inclusion of the MB in Egyptian politics, they might still press for more Qatari financial support for Egypt's stabilization in order to share this financial burden.

The impact of Gulf State engagement on Egypt's political and economic d development: The financial assistance provided by Gulf states to Egypt has had both economic and political impact on Egypt's development since 2011. Economically, government-to-government financial support from the Gulf states has helped balance budget deficits and substituted for the lack of financial assistance from Western donors and international institutions such as the IMF. At present, however, the business investments in particular do not hold any promise of serious trickle-down effects or large-scale employment opportunities, especially not for better-educated Egyptians. Preventing Egypt's collapse and keeping the region as a whole under control was of highest priority to all of the Gulf states, whereas helping Egypt transform its political system into a more open and democratic one was certainly not – although Qatar did argue that its support for the protests expressed the importance it attached to the people's right to self-determination. The Sisi government's current dependence on UAE and Saudi financial and political support has helped to re-consolidate a return to the pre-2011 political conditions and even contributed to repression not only of the MB but also of civil-society organizations and political activists.

In retrospect, it was unrealistic to expect that there was sufficient political will or competence among the new figures in power in Egypt to actively introduce reforms. The situation was made more complicated by the fact that most Western states and donor organizations never really applied their leverage through financial assistance and that coordination between Western and Gulf states remained insufficient throughout the period.

1.3 Tunisia after 2011: The Impact of Gulf State Engagement

Saudi Support for Tunisia since 2011: Compared to Saudi involvement in Egypt, Saudi support for Tunisia after 2011 has been minimal. Saudi Arabia did not consider the Ennahda party as posing an ideological threat, as the party did not engage with Iran and, unlike the Egyptian MB, did not attract a massive number of followers within Saudi Arabia.

From a business perspective, neither private nor public Saudi businesses are economically invested in Tunisia to a relevant extent. The small market and limited number of consumers, the domination of European companies, and the lack of traditional business networks makes Saudi Arabia's private sector reluctant to invest in Tunisia. Only 39 Saudi companies are listed as having been active in the Tunisian market, representing roughly 6,200 jobs, mostly in the agricultural, industrial, energy, and tourism sector. Since 2011 several Saudi companies have announced their interest in investing in Tunisia's real estate and power sectors. However, no concrete projects have yet been implemented.

Many Tunisians feel, moreover, that Saudi Arabia is influential in spreading its conservative understanding of Wahhabi Islam in Tunisia. In this regard, rumors exist that the Saudis are supporting Salafi charities in order to increase the impact of their Wahhabi ideology in the country. However, direct financial support for Tunisian mosques and charities by the Saudi government cannot be substantiated.

Under the new king, Tunisia is likely to remain a low priority in Saudi regional policy, especially compared to Egypt, due to the country's limited geostrategic and economic relevance and a limited understanding in Saudi Arabia of the respective political cultures. For now, Saudi Arabia considers Tunisia to be "under control" in terms of the role that political Islamist groups play and with regard to its overall economic and social situation.

Emirati support for Tunisia since 2011: UAE assistance to Tunisia since 2011 has been limited, especially compared to the support it provides to Egypt. The UAE did not provide macroeconomic support in the form of grants or loans to the Tunisian Central Bank. Nor did it fund new development projects. Instead it limited its assistance to humanitarian channels. Via various state-owned enterprises, it did, however, make a number of investments, for example in the telecommunication and health sectors, while most real estate projects that had been agreed upon under Zine el-Abidine Ben Ali were put on hold or cancelled altogether. The UAE provided political and limited material support to the Nidaa Tounes party and some of its representatives. On a bilateral governmental level, material and immaterial support was offered also to the Tunisian army in its fight against terrorism.

This assistance clearly reflects the UAE's interests in Tunisia. The UAE's fight against terrorism and political Islam is also taking place on Tunisian soil, and the UAE uses its engagement in Tunisia to strengthen its role and image as a regional power. Moreover, these efforts are also undertaken in order to limit Qatari influence on Tunisia and in the region as a whole. Beyond that, Tunisia is seen as a gateway to Libya, where the UAE wishes to increase its political influence and economic investments.

It is likely that the UAE will continue to invest in Tunisia despite rumors that such investments are tied to the condition of the Tunisian government's exclusion of Islamists like Ennahda from political participation. A number of unresolved investment disputes from the pre-2011 era and legal disputes regarding Tunisians closely connected to the Emirati ruling families show that relations between the UAE and Tunisia are somewhat strained.

Qatar's support for Tunisia since 2011: Among the Gulf states, Qatar was the main provider of assistance for Tunisia after 2011. It provided loans to the Tunisian Central Bank and for development projects. It also invested strongly in tourism, real estate, telecom, banking, and petro-chemical industries. Qatar's direct financial support for Ennahda cannot be substantiated, but is widely assumed among Tunisians.

The decisiveness of Qatar's engagement in Tunisia after 2011 was motivated by precisely the same reasons behind its engagement in Egypt. Here, too, former Emir Hamad wished the West to perceive his country as a bridge to Islamist movements (in this case Ennahda), as a potential interlocutor and future power in the Middle East, in addition to improving Qatar's image in the Arab world. As in Egypt, considerations of economic diversification were at work here as well. Like the UAE, Qatar also sees Tunisia as a gateway to Libya, where it wishes to increase its political influence and make additional investments.

Under Emir Tamim, the new Qatari emir, the general line of engagement in Tunisia did not change considerably, partially because the various Tunisian governments since 2011 were eager to attract investments from all Gulf countries, regardless of their political outlook. It is interesting to note, however, that several Qatari organizations reacted to growing anti-Qatari sentiment within the Tunisian population by taking measures to take Qatar and its local partners out of the line of fire.

Qatar is very likely to remain an active economic player in Tunisia through its state-owned enterprises. While the operations of such enterprises are driven more by economic than by political considerations, they could easily be used to accompany political efforts. On the whole, Qatar can be expected to increase efforts to diversify its political contacts there beyond the Ennahda party.

The impact of Gulf State financial support on Tunisia's political and economic development: Since 2011 the economic and political impact of Gulf assistance on Tunisia has been rather limited, especially compared to Egypt. Only Qatar seems to have provided loans to the Central Bank of Tunisia to stabilize the country. Business investments from the Gulf are said to have created or secured more than 21,000 jobs, but the small number and size of planned and implemented projects did not provide widespread trickle-down effects. With a few exceptions, most projects did not target rural areas or the needs of socially and economically marginalized Tunisians. Perhaps the Tunisian government and bureaucracy could have attracted more business investments from the Gulf if they had been willing to offer Gulf investors the preferential treatment they requested. Nonetheless, the current Tunisian government is interested in increasing investments from the Gulf. It is probably more challenging to "sell" investments from the Gulf to the public, however, due to concerns about the political but also the social and cultural consequences of increased Gulf influence in Tunisia.

Socioeconomically, the major issue at stake remains how Tunisia will push for more equitable distribution of economic benefits in the future. Such a push for more social security is unlikely to come from or through Gulf business investments. It must be noted, however, that development organizations from Qatar and the UAE in particular are showing more interest in youth employment, rural development, support for small- and medium-sized enterprises (partially via Sharia-compatible loans), and the renewable energy sector.

Politically and with regard to democratization efforts, allegations of Gulf funding for political parties and their related charities and associations have a strong impact on Tunisian political discourse. The dynamics of this discourse are, however, also fueled by the Tunisian law prohibiting foreign funding for political parties, whereas foreign funding for associations is legal.

Beyond the direct engagement of the Gulf states in Tunisia, the country could also be affected economically and politically by the engagement of the UAE and Qatar in neighboring Libya, where negative developments form a considerable liability to Tunisia's stability in every regard.

2. Conclusion

This study's central question was whether the engagement of the Gulf states in Egypt and Tunisia after the regime changes of 2011 had a largely positive or negative impact on those countries' political and economic development. Of course, judging this impact as "positive" or "negative" depends on what set of criteria one applies. For the sake of this project – and in light of the political strategies pursued by Germany for Egypt and Tunisia since 2011 – the two main criteria considered were democratization and inclusive socioeconomic change.

It is important to highlight that these criteria do not necessarily guide the strategies of the Gulf states for Egypt and/or Tunisia. Nor do they necessarily reflect the priorities of key actors within Egypt and Tunisia themselves. Indeed, different priorities – also relating to the sequencing of measures to support the two countries – could be observed both among European and Gulf providers of assistance as well as between key actors in Germany, on the one hand, and actors in Egypt and Tunisia on the other. Thus, Egyptian and Tunisian stakeholders sometimes considered certain Gulf state measures in positive terms, whereas the same measures could, in normative terms, be viewed as having a negative effect on democratization and/ or inclusive socioeconomic change in the two countries. Consequently, the input provided by the Gulf states as well as by Germany and other European states was also judged according to criteria and standards that differed from those set by Germany and its Western partners. It is therefore of little surprise that the various measures for support often did not complement each other and arguably sometimes even contradicted one another in terms of their impact.

Analyzing measures taken since 2011 by Gulf countries to assist Egypt and Tunisia – and looking at how these measures were (not) coordinated with actions taken by other providers of assistance – this project draws five major conclusions. Its policy recommendations are derived from these conclusions.

1. Instead of mutually complementing each other in their support for Egypt and Tunisia, Western and Gulf countries have been insufficiently aligned – even though they supposedly operate under the same umbrella, the Deauville Partnership. There are many reasons for this lack of coordination. The chief one is a lack of mutual consideration for and/or knowledge of the respective interests pursued in – and for – MENA countries. The forums for discussing policies and strategies are inadequate. While some argue that the Deauville Partnership succeeded in establishing such forums over time, this was certainly not the case in its beginning.
2. All providers of support resorted to ad hoc measures that strongly reflected their respective interests. This led in turn to different priorities in the sequencing of measures. While the Gulf states were mainly concerned with establishing immediate political and economic stability, Western countries pursued longer-term goals: democratization and inclusive socioeconomic change. Instead of attempting to harmonize these approaches in long-term strategies for each country, the different "camps" of providers tended to pit themselves against one another – and to blame each other for failures and setbacks. On the whole, both Western and Gulf providers of support remained too general in their approaches to Arab countries. As such, they failed to respond to the individual needs of the beneficiary countries.
3. Fully comprehending the measures taken by the Gulf states in Egypt and Tunisia involves placing those measures within the context of the vital interests of the Gulf states themselves – that is, within the context of their general foreign policy concerns and their Middle Eastern policies in particular. Most of the Gulf states were influential economic and political players in the region long before 2011. Their pre-2011 investments were not only meant to diversify their respective economies but also to influence the regional process of globalization economically and politically. The overall lack of awareness among Western political actors of the Gulf states' long-term engagement in the region compounds the risk of misunderstanding and misinterpreting their post-2011 actions. The policies Gulf states have pursued in Egypt and Tunisia since 2011 have been driven by a desire to keep their respective countries – and the Arab neighborhood as a whole – stable, or at least "under control." Their agenda is thus longer-term than some of their political actions since 2011 might lead Western politicians and analysts to believe. Only with a thorough understanding of these underlying domestic and foreign policy assumptions can the policies of Gulf states in the Mediterranean region become calculable.
4. German and other Western policy makers have only limited influence on the Gulf states in general and on how they support Arab countries in particular. This is due for one thing to the comparatively limited financial assistance provided by Western states. For another, Western states' political leverage on the Gulf states has been diminishing over the past 15 years, as Gulf states forge new economic as well as also political partnerships (geared increasingly toward Asian countries). Western states are thus not in a position to apply pressure on the Gulf states to change the nature or extent of their engagement with Egypt and/or Tunisia.
5. Better coordination and cooperation with the Gulf states is crucial for responding to the escalating conflicts in the region. Decreasing faith in the willingness of Western partners to stand up for the region's security and stability has led the Gulf states to augment their own military means and reach out to new providers of security. This increases the likelihood of violence by proxy or even proxy wars in the region. Increased militarization is also fueled by the 5+1 nuclear deal with Iran; the Gulf states are likely to demand similar rights to develop nuclear capacity for themselves in order to keep pace with Iran. Forums for political dialogue like the Deauville Partnership are thus important spaces for rebuilding trust, enlarging networks of communication, and deepening mutual understanding.

3. Policy Recommendations

Several steps are necessary for Germany and its Western partners to leverage their economic and political influence in the region more effectively and constructively in the future. Given their stated long-term goals of promoting democratization and inclusive socioeconomic change, this report's policy recommendations and proposals need to be embedded in long-term strategies. However, strategies must seriously consider the interests of the Gulf states as influential political and economic players in the MENA region.

3.1 Recommendations for German and EU Policies toward the Gulf States

German and other European policy makers must acquire a more robust understanding both of the vital interests guiding Gulf states' foreign policy and of the role the Gulf states play for the vital interests of Germany and its partners in order to develop long-term strategies of cooperation with the Gulf states. At present, Germany and the European Union as a whole lack a coherent foreign policy strategy toward the Gulf states. Unlike France and the UK – as former colonial powers that assertively pursue their interests via bilateral strategies – Germany has been more reactive than proactive in its policy toward the region. This atomization of European approaches to the Gulf states and to the wider Arab region is incommensurate with the region's strategic importance for Europe, given its geographic proximity and its energy resources.

German and other European policy makers must take much greater account of the Gulf states in considering European security strategies. This is all the more important in light of the strategic vacuum left by the US – a vacuum that other players are keen to fill. The upcoming reassessment of the European security strategy developed in 2003 is an opportunity to formulate an updated political approach to the region.

German and other European policy makers must give special attention to increasing the cooperation in maritime security. Europe's foreign and security policy must include strategies for the Gulf. This is due to the importance of the security of naval passages through the region for Europe's energy security but also because maritime security cooperation is a key instrument for containing transnational terrorist activities, human trafficking, and smuggling. However, security cooperation with the Gulf states and other Arab states poses a challenge; the German constitutional prohibition against exporting arms into areas of conflict must be given much more consideration, since several states have used military means to crack down on protesters in recent years. Balancing these conflicting vital interests needs a lengthy, well-informed, and transparent political debate that must seriously engage the opinions of different camps.

German and other European policy makers need to account strategically for the limited leverage that European states enjoy in the Gulf region. This limited leverage is due to the strong economic ties of Gulf states with the emerging economies in Asia as well as longstanding political cooperation with the US. Economic cooperation with Asian partners is gradually being transformed into stronger political cooperation with particular Asian countries, first and foremost China, but also India and South Korea.

German and other European policy makers need to identify new ways to engage with the Gulf states politically. The Gulf states expect to be treated as equals as befits their increased international standing and influence. They also wish to be complimented and praised for their efforts, both in staving off the economic collapse of countries like Egypt (which would have had severe consequences for neighboring Europe) but also for their economic support for Western economies during the global financial crises in 2008 and the years that followed.

German and other European policy makers must widen and deepen their political dialogue with the Gulf states. They should, moreover, seek out dialogue beyond issues regarding countries affected by the Arab uprisings and in all multilateral settings. UN meetings on global development and climate agendas provide such opportunities. Dialogue on topics of mutual interest and joint activities should also be sought via multilateral Islamic institutions such as the Organization of Islamic Cooperation (OIC), the Islamic Development Fund, Arab multilateral development funds and bilateral funds such as the development funds of Saudi Arabia, Kuwait, and Abu Dhabi.

German and other European policy makers need to identify sectors of mutual interest and areas of synergy. Renewable energy, energy efficiency, energy consumption as well as international climate policies are issues of high domestic interest for the Gulf states. Also primary, secondary, tertiary education, and vocational training loom large on the domestic political agenda. The Gulf states consider Germany to have expertise in all of these sectors, so policy makers should actively seek dialogue on these issues, both in bilateral and multilateral settings, for example those provided by the UN. Also supporting more economic diversification of the Gulf states should be in the interest of Germany and other European states in order to ensure that suppliers of energy become economically and consequently politically less dependent on dividends from oil and gas exports. Although Germany's current energy mix does include a large amount of energy provided by Gulf states, the stability of its energy mix and exports is affected by how other European neighbors develop their energy imports. For in some cases these rely quite heavily on energy from the Gulf region.

German and European policy makers should deepen their understanding of political decision making in Gulf countries and of the social and economic structures on which they are based. Meaningful political dialogue means identifying relevant stakeholders. This in turn requires a better understanding of the social and cultural mechanisms that build political and social cohesion and balance interests in the Gulf countries. This knowledge is mainly acquired through personal contacts and interaction of interlocutors on the ground (for example diplomatic and business representatives, or members of the German expatriate professional community). Such practical insights need to be complemented by research and analyses provided by academia and think tanks. Funding for such research on the Gulf states is thus of importance to take well-informed policy decisions.

Building trust requires time and additional resources. High-level political representation and the participation of political rather than merely administrative office holders would reflect the importance of such a dialogue. Interaction with the Gulf states within multilateral settings must also be expected to be more time- and resource-consuming than with other states of similar political and economic clout. This is due to the fact that the Gulf states, despite their increased international political role, still lack both experience and manpower to participate effectively in forums of multilateral governance. This also affects the performance and participation of the Gulf states in the framework of the Deauville Partnership as well as in GCC-EU settings. Political processes that include the Gulf states need to take these practical limitations into account.

One must engage German businesses and cultural institutions in order to widen political, economic, and social dialogue with stakeholders from the Gulf states. As German businesses enjoy an excellent reputation, their networks can open new windows for dialogue that could be tapped into by policy makers. Supporting such institutions as the German Chambers of Trade and Commerce would help intensify their cooperation and extend the dialogue with Gulf Arab counterparts – e.g. the bilateral Saudi-Egyptian Chamber of Commerce – both in the Gulf states and in countries like Egypt and Tunisia. Given the absence of German political foundations in the Gulf countries, it is thus all the more important to include political and social stakeholders as well as researchers from Gulf countries in the activities of these foundations that take place in neighboring Arab countries and in Germany. Identifying issues of shared interest and mutual benefit is a necessary prerequisite to kindling the interest of Gulf participants in such activities. Also cultural institutions such as the Goethe Institutes and the cultural departments of the German embassies and consulates can serve as nodes of exchange and dialogue, as can the Robert Bosch Cultural Managers in Egypt and Saudi Arabia. In order to make the most use of the insights gained through the variety of possible encounters, however, cooperation and coordination between German institutions and ministries needs to be improved.

3.2 Policy Recommendations for German-Gulf Cooperation in Support of Egypt and Tunisia

Continue to make use of the Deauville Partnership as a forum for multilateral dialogue involving key actors from Western, Gulf, and North African states and international organizations. The partnership continues to provide important space for relevant stakeholders to discuss strategies and instruments for Arab countries that have been undergoing political change since 2011, particularly in the absence of other multilateral forums. They should nurture and improve these spaces instead of abandoning them. Western stakeholders in particular should strive to increase trust and inclusivity if they wish to influence the future engagement of the Gulf states more effectively. They should pay more attention to approaches that go beyond stabilizing the existing system economically in order to stabilize the beneficiary country sustainably by offering more socioeconomic inclusion. Discussions on how to integrate the informal sector should figure more prominently.

Develop suitable incentives for greater inclusion of the Gulf states into governance dialogue within the Deauville Partnership. There seems to be wide consensus that the finance pillar of the Deauville Partnership is more successful in winning the attention of Gulf states than the governance pillar. This can be attributed to various factors, among them priorities in sequencing measures, diverging political goals for the region, and stronger capacities among Gulf institutions in matters of finance. European and other Western states should thus develop forums and settings that make dialogue on matters of governance more attractive to Gulf stakeholders. Given the ongoing exclusion of the Muslim Brotherhood from Egyptian politics, such dialogue will be ever more important in the future. In order to engage Islamists, both the EU and the Gulf states require contacts and channels of communication. These could be provided by Qatar, which enjoys good standing with the Muslim Brotherhood and organizations close to it. Oman could also be a suitable and potentially less controversial interlocutor.

Clarify German and European interests in North Africa and show a willingness to act upon those interests politically by mustering adequate financial means. As has been noted, the EU as a whole lacks a coherent foreign policy strategy toward the region. Because the deteriorating security situation in Libya also negatively affects the domestic stability of both Egypt and Tunisia, it is imperative to consider Libya when discussing security cooperation with both countries. Given the respective involvement of Qatar and the UAE in Libyan political affairs, these countries' interests need to be considered, especially since they seek to influence the Egyptian and Tunisian governments to act in a way that enhances Qatari and Emirati operations in Libya.

Identify shared interests regarding MENA countries in order to deepen cooperation with the Gulf states. Approaches need to be better aligned and strategies and instruments developed to suit the individual Arab countries that have been undergoing political change since 2011. Although German-Gulf interests differ in many aspects, mutual interests do exist. For example, both sides are vitally interested in keeping the Arab region economically and socially stable. Both in Egypt and Tunisia, there is also a shared interest in fighting political violence, extremism, and terrorism despite different understandings of what is defined as such. There seems to be agreement on the necessity of economically strengthening those states affected by the Arab uprisings in order to offer their populations a perspective for a better future by decreasing unemployment, especially for youth. Good and transparent governance and sustainable economies that are less based on income from rent are thus important pillars for a stable political order in the Middle East in the future. Germany and its European partners should thus engage with the Gulf states the question of how to make economic growth in these countries more socially inclusive and sustainable. Dialogue on these matters can also form part of discussions between Germany and the Gulf states on economic diversification within the Gulf states themselves.

Seek out technical expertise and know-how from the Gulf states themselves when planning trilateral development projects with Gulf states. Gulf states have increased their technical and administrative capacities over the past decades and do not like to be seen purely as providers of finance. This should be kept in mind when cooperation projects are under discussion – especially since the Gulf states can rightfully point out that they have already provided more financial support for countries like Egypt than European and other states. Based on interviews conducted for this project, such trilateral cooperation seems to be possible in the renewable energy sector, the industrial sector, as well as in SME support and microfinance projects. Gulf, Egyptian, and Tunisian interlocutors showed interest in cooperating with Germany in vocational training and in the development of a system based on the German "dual system." In the absence of a burden-sharing system with the private sector similar to the German *Sozialpartnerschaft*, such a dual system would hardly be successful in Arab states at the moment. German interlocutors should highlight these systemic difficulties to manage and, if necessary, limit expectations.

Increase coordination and communication among Gulf and Western development organizations in Egypt and Tunisia. At present, since most development organizations from the Gulf states do not have local representative offices in beneficiary countries, no constant coordination and dialogue takes place among Western and Gulf donors and implementing organizations. Little information on Gulf-funded projects therefore exists among German and European implementing organizations, which in turn hinders identification of potential fields for cooperation and synergy effects. As there seems to be limited willingness among the relevant Egyptian and Tunisian ministries to increase dialogue and coordination between Gulf and Western donors, Germany and its partners should seek to convince stakeholders in Egypt and Tunisia of the benefits of closer coordination and cooperation among the various providers of assistance. It is also important to include representatives from Gulf development organizations and Gulf states' superordinate ministries in this process.

The potential for trilateral business activities in Egypt and Tunisia is limited, but consider even small opportunities. Private sector investments from Qatar and the UAE come from state-owned rather than private enterprises. Private investors from Germany and other Western states operate with different risks, which makes cooperation between Gulf and other investors and companies difficult. The perspectives for trilateral economic cooperation are thus currently limited. The sectors of renewable energy, energy efficiency, and energy consumption, however, do offer potential. Activities of German companies that are already investing or producing in countries like Egypt – or that show interest in using opportunities offered by the enlargement of the Suez Canal – offer fruitful grounds for dialogue. The same should be possible for German companies planning to invest in Tunisia.

Reach out more actively to the Gulf states on the matter of Tunisia. Individual European states as well as the EU as a whole should take the first step of reaching out to the Gulf states with regard to Tunisia. This is because of the dominance of European investors in Tunisia and the fact that instruments of the European Neighborhood Policy are widely regarded as suitable for meeting Tunisia's challenges. Together with the Tunisian government, mutual dialogue on political, economic, and social issues should be strengthened in order to identify potential for cooperation and areas of synergy.

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